

A black leather messenger bag is held by a hand. The bag has the letters 'USSR' printed in white on its front flap. A fish is visible inside the bag, protruding from the bottom. The background is a blurred outdoor setting.

*European
Community*

JULY—AUGUST 1977 NO. 202

Brief for a red herring?

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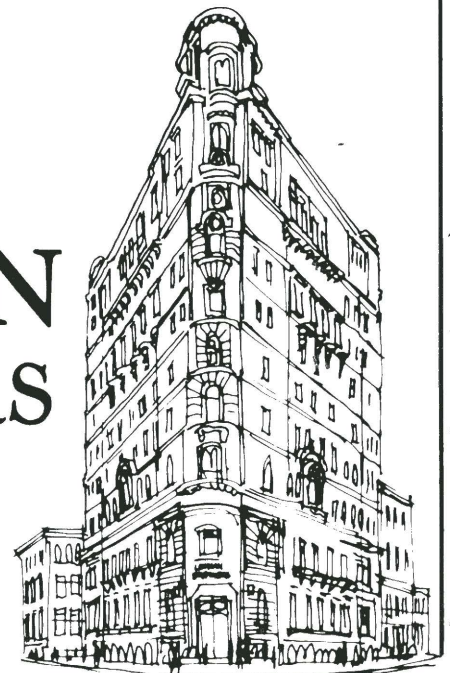
U.S. capital market issues.

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What Do the Soviets Want in Brussels?

Fishing agreement ends 20 years of nonrecognition

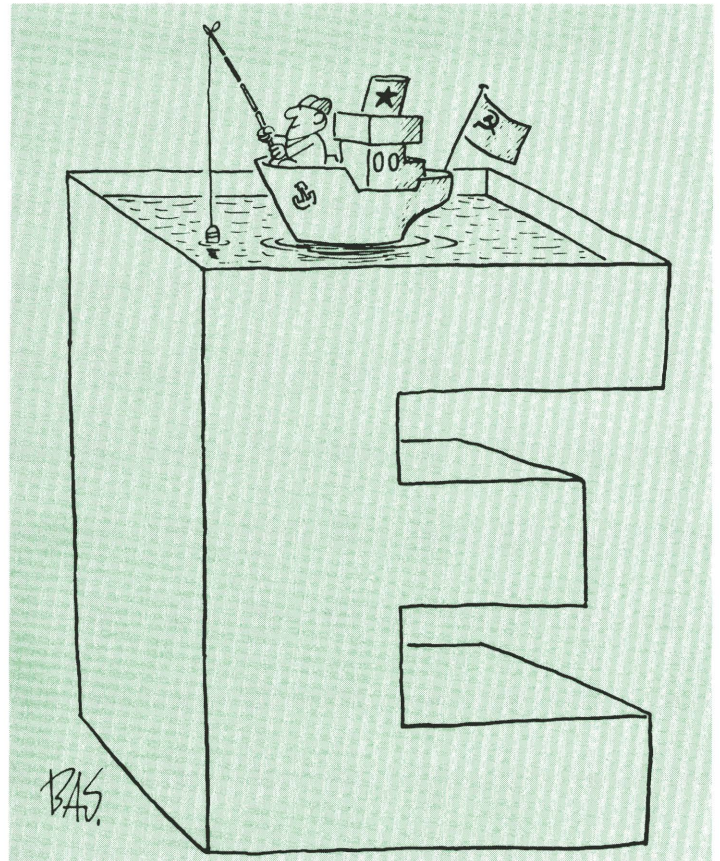
STEPHEN MILLIGAN, *Brussels correspondent for The Economist*

AN EXTRAORDINARY THING HAPPENED IN BRUSSELS on February 16, 1977: A car bearing a gray-haired Russian pulled up outside the EC Charlemagne building, a chauffeur opened the door, and out stepped Soviet Fishing Minister Alexander Ishkov, who then walked in to meet EC Commissioner Finn Olav Gundelach and British Foreign Secretary David Owen to talk about fish.

What was extraordinary about that? Simply that ever since the European Community was founded, the Soviet Union has refused to recognize its existence or to have any dealing with its institutions. The Russians despised the European Community because they saw it as a bulwark to capitalism in Europe. They also imagined that the Common Market was the forerunner to some new form of anti-Soviet defense community. Thus they used to refer to the European Community as the "economic arm of NATO." And, more practically, they feared that the Community might start contacts with the smaller Eastern European countries and infect them with dangerous capitalist ideas.

But this attitude had already begun to crumble in the 1960's. The Poles (1965) and the Bulgarians, Romanians, and Hungarians (1969) reached technical agreements with the European Community on the imposition of farm levies on their sales to EC countries. Still, however, the propaganda organs of the East continued to heap abuse upon the Community. And the Soviets seemed confident that the Community would collapse: In Communist eyes, the notion of cooperation between capitalist states was extraordinary. Thus a thesis on the Common Market, issued by the Moscow Institute of World Economy and International Affairs, stated in 1957: "No doubt the tensions and contradictions among the members of the European Economic Community will accelerate the process of self-destruction."

The first signs of a change of heart came much later in a speech delivered by the Soviet leader, Leonid Brezhnev, on March 20, 1972: "The Soviet Union by no means ignores the real situation which has emerged in Western Europe, including the existence of an economic grouping of capitalist countries known as the Common Market.



Bas, Tachydromos, Greece

We are carefully observing the activity of the Common Market and its evolution. Our relations with the participants in the grouping will, needless to say, depend on the extent to which they recognize the realities in the socialist part of Europe, particularly the interests of the member countries of the Council for Mutual Economic Assistance (Comecon). We are for equality in economic relations and against discrimination."

The message was clear: The Russians would be willing to recognize the European Community if the European Community would legitimize Comecon. This, however, had little appeal to Brussels. EC leaders felt that Comecon was in no way comparable to the Community. They regarded Comecon as merely the instrument for Soviet hegemony in Eastern Europe, not a free grouping of

independent states as in the European Community. From the start, it was felt that such a deal would give far bigger benefits to the Soviets than to the Community. So no one in Brussels rushed to take advantage of the new, softer line from Moscow.

Meanwhile, the Soviets became increasingly aware of the Community's growing powers. On January 1, 1973, the first stage of the EC common commercial policy was adopted—meaning that all trade deals had to be negotiated through Brussels and none could be negotiated bilaterally. And it was becoming increasingly clear that the Soviets and the rest of Eastern Europe desperately needed more access to West European trade and technology. EC-Comecon trade was far more vital for Comecon than for the Community. In 1973 only 4 per cent of total EC exports went to Comecon, while some 25 per cent of total Comecon exports were going to the Community (even though Comecon had a trade deficit with the Community).

In the summer of 1973, Comecon Secretary-General Nikolai Fadeyev suggested that Comecon and the EC Council of Ministers should set up delegations to study future relations between the two groups. At this time the Soviets were still not communicating directly with the Community, but continued to communicate via Comecon. Nothing happened quickly. Since 1973, notes have been exchanged between the Community and Comecon like a slow-motion tennis game. On average, each side has taken six months to reply to the other's notes. In February 1975, EC Commission Director-General of External Relations Edmund Wellenstein was invited to visit Moscow to talk with Comecon's secretariat about a possible visit by Commission President François-Xavier Ortoli. The conversation never got beyond discussing which operas he would like to see. As the diplomatic tennis continued, neither side wanted to appear too keen.

On February 16, 1976, the Soviets decided to try to speed things up. East German Vice-Premier Gerhard Weiss, who was then the president of the Comecon Executive Committee, met Luxembourg Prime Minister Gaston Thorn, then president of the EC Council of Ministers, and gave him a paper. The paper, carefully drafted in Moscow, sketched out the possibilities of an EC-Comecon deal. It mentioned such subjects for inclusion as trade agreements, aid, standardization, environment, economic forecasting, statistical cooperation, credit facilities, elimination of quantitative exchange controls, and normalization of agricultural trade. It also suggested that EC member countries should sign deals to give Comecon countries most-favored-nation trade treatment. This was the first direct personal contact with the Community since the abortive Wellenstein trip to Moscow. But notice that again the Soviets did not negotiate directly with the European Community, but via the Comecon framework.



Soviet Fishing Minister Alexander Ishkov UPI photo

THEN, MORE DELAY. The European Community after a long pause acknowledged the paper but rather huffily said that it would take a long time to study. The Community (a) did not want to give Comecon too much encouragement, and (b) saw lots of practical problems in the paper's ideas. For example, if the Community gave new trade benefits to Comecon, might that not damage the value of its generous trade concessions to developing countries under the Lomé Convention? But in early 1977, Poland (now president of the Comecon Executive Committee) delivered a new note to the Community via Britain asking for a definite reply.

While all this was going on a completely new issue appeared on the horizon—fishing. In late 1976 the Community decided to follow the worldwide trend by declaring a 200-mile exclusive fishing limit. So from January 1, 1977, it announced that EC waters would extend 200 nautical miles from the coastlines of its nine countries. It also announced it was willing to negotiate reciprocal fishing deals for those third countries that wanted to go on fishing inside EC waters.

Countries like Norway and Spain quickly agreed to open talks. But no response came from Moscow or other Eastern countries. The Soviets evidently did not fancy direct contacts with the EC Commission, and they probably reckoned the Community would never dare to expel Russian fishing trawlers from EC waters. But the Soviets had not grasped the importance to the Community of cutting down fishing.

If the Soviets had questioned the legality of the fishing limit, they might have made things tricky. But as it was, on December 10, 1976, they announced their own 200-mile fishing limit, so they could hardly claim the Community had no right to do the same thing.

Because the Soviets continued to refuse to come to Brussels, the Community arbitrarily imposed quotas on their total catch for the first quarter of 1977, allowing

them to net only 55,000 tons—two-thirds below their normal annual fishing rate. And the Community warned that if the Soviets continued to refuse to negotiate, they would be expelled from EC waters altogether. The Soviets blithely ignored these quotas and went on fishing through January as if nothing had happened. British intelligence reported there was no sign of a cut in the Soviet fishing, so the EC Council decided to take a tougher line. It said that the Soviets must apply for permission for a small number of named vessels to fish—otherwise all trawlers sighted in EC waters would be subject to arrest.

Many observers doubted the Community would dare to enforce this tough ultimatum. But it was the Soviets who finally gave way. They announced they were ready to come to Brussels and open negotiations. On February 16, 1977, the Russian minister of fishery resources (who incidentally has been minister since 1939) arrived in Brussels. Within two days he had agreed to a short-term deal with the Community and to its basic demands. Future fishing arrangements will be settled later. At a press conference afterwards, Ishkov was flooded with questions from journalists. Did his visit not mean the Soviet Union now recognized the existence of the European Community? Ishkov would only reply, "That is a difficult question." Smiling, he left puzzled journalists to work out the answer for themselves. It was clear that, for all practical purposes, the Soviets do recognize the Community, even if they do not go to the lengths of sending an official ambassador to Brussels, as do the Chinese.

The triumph on the fishing issue was important enough

onstrated on the fishing issue (a) that it could enforce a common view on third countries, and (b) that it does not pay to behave as if the European Community did not exist.

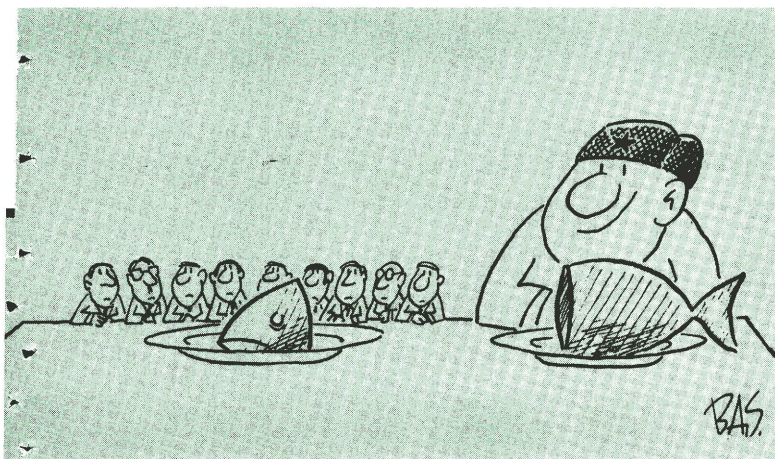
So what are the prospects for a broader EC-Comecon deal? A meeting between the two sides is almost certain to be arranged before the Belgrade Conference in September (to review progress of the Helsinki détente agreement). Neither the European Community nor Comecon want to be left open to charges that they have done less than their best to stimulate East-West cooperation. But it will take far longer than that for anything concrete to be agreed, probably two or three years at least.

The European Community is only seriously interested in a trade deal on two conditions: (a) that Comecon recognizes the reality of the Community and thus that the Commission and not the nine separate members negotiate trade policy, and (b) that Comecon recognizes the reality of Comecon, which means that only its individual members can negotiate trade deals. At present, it seems that Comecon sees things exactly the other way round. So the argy-bargy about whether trade should be negotiated bilaterally or centrally on either side will have to be resolved before any serious talks can start on the details.

The Community still sees Comecon (members are the Soviet Union, German Democratic Republic, Romania, Poland, Hungary, Bulgaria, Czechoslovakia, and Cuba) as a weapon of Soviet domination, which has been increased by the Soviets' use of their powers as near-monopoly suppliers of oil, gas, and a wide range of raw materials to their smaller partners. So the Community is only willing to negotiate if freer access and contacts between the West and the individual Comecon members are allowed. It has nothing to gain from a deal which merely strengthens Comecon's grip on its subservient members.

One bright feature is that Romania will be president of the Comecon Committee in the year ahead. And Romania has already signed several deals of its own with the Community and so may pressure for the right of other Comecon members to make individual arrangements. This would be ideal from the Community's viewpoint.

COMECON WAS ORIGINALLY set up in 1949 by Stalin as an alternative to the US Marshall Plan to help European recovery after the war (which the Soviets had stopped the Poles and Czechs from taking part in). For years it remained a primarily inward-looking group designed to consolidate Soviet control over Eastern Europe and to integrate the state economies more closely. It is only recently that Comecon has begun seriously to consider a common external relations policy. It has started signing trade agreements with noncommunist countries like Finland, Mexico, and Iran. And some noncommunist coun-



Bas, Tachydromos, Greece

in itself. In recent years the Russians have hugely increased their fishing effort in the North Sea (even if some of their trawlers are merely spy-ships). Most of the fish they have caught have admittedly been low-grade herring and mackerel, but at a time when fish stocks are dangerously depleted and European fishermen are losing jobs by the hundred, the Community could ill afford to allow the Russians to continue unchecked. But, of course, the political importance was greater. The Community has dem-

tries like Jamaica have even considered joining Comecon, for purely economic reasons.

The trade agreements that Comecon has signed so far seem to have little weighty economic content and were designed more as measures of mutual good will. But in the last 10 years, the relative importance of external trade in the Comecon countries has grown steadily. Between 1958 and 1970, for example, Comecon's exports to the Community rose 300 per cent, while the Community's exports to Comecon rose 385 per cent. But, since Comecon's imports have grown far more quickly than its exports, many of its countries have plunged into debt. The rise in oil price effectively transferred some \$1.3 billion a year from the East Europeans to the Soviet Union, and this has made things still harder for the smaller economies. The huge debts have been causing some concern both to the United States and to Western Europe, but Comecon countries' record of repaying debts has so far been impeccable. In 1976 the trade trend went into reverse: Comecon countries sharply increased their exports to the Community by some 19 per cent, while EC exports to Comecon rose only 4 per cent. Still, Comecon countries have an obvious interest in seeking easier trading terms from the Community.

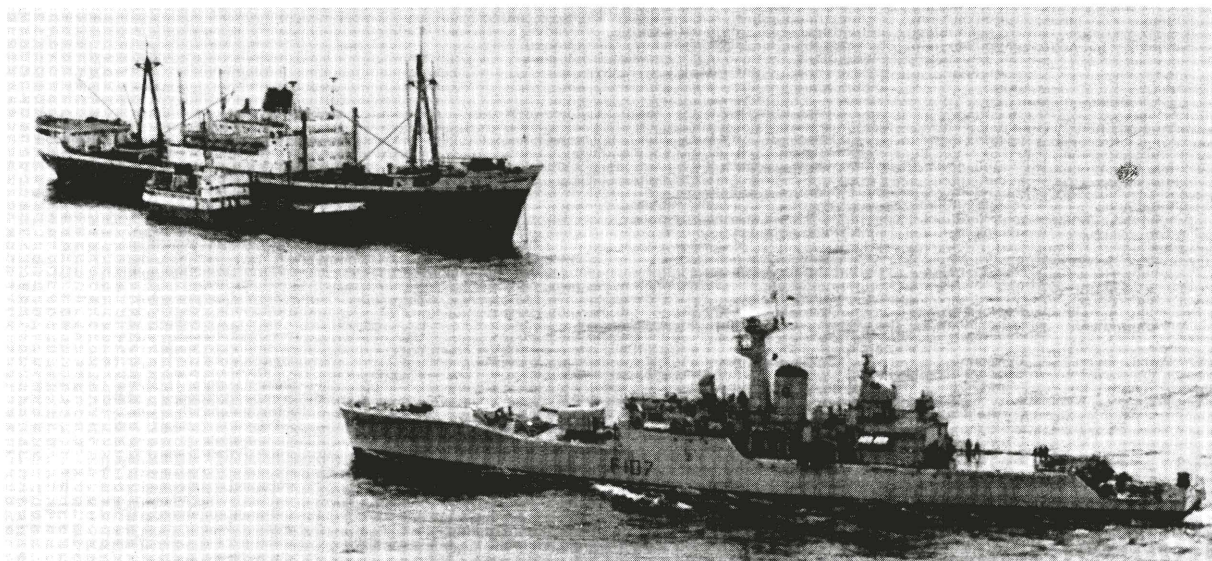
EC-Comecon trade is naturally dominated by EC-Soviet trade, accounting for \$4.5 billion in 1976 out of the total EC-Comecon trade of \$10 billion. But these figures do not include trade between East and West Germany, which is bizarrely counted as internal trade. The Democratic Republic's special trading links with the Federal Republic explain why the former is sometimes called "the tenth member" of the European Community. But even for trade with the other Eastern countries, the German Federal Republic is far and away the biggest EC trader, selling some \$4.7 billion worth of goods on top of its sales to East Germany (more than France, Italy, and Britain together), mainly in heavy engineering goods. The

Germans, therefore, will have an obvious interest in any deal that increases their Eastern export market (especially as the West European economy is so stagnant). But other countries are worried about a possible flood of cut-price goods undermining their own industries; textiles is a special worry. And an EC-Comecon trade deal could make it harder to take action against dumping by Comecon countries.

As to other subjects such as environment, transport, and standards, the Community is doubtful of their real value. It notes that the Soviets have been eagerly proposing Europe-wide conferences on transport and environment as a possible follow-up to promises of cooperation under the Helsinki agreement. But it suspects that this is merely to cover-up the Soviets' lack of progress on the human rights issues in the Helsinki "Basket III."

Thus as the overtures for closer EC-Comecon links continue, both sides are wary of giving anything away. Neither quite understands the other's motives, and after so many years of hostility and estrangement, that is perhaps not surprising. But if both groups can find ways round the major political obstacles, there could be practical benefits to be had from a cooperation agreement. Europe has been divided for far too long.

The implications of all this for the United States are not clear. There will be those in Washington who are suspicious of increased contact between West Europeans and the Communists—fearing that the Community is just allowing itself to be ensnared in a complex game of propaganda. But equally, there will be those who remember that the United States has helped finance a massive rise in US-Comecon trade in recent years. They may see the logic of a process that provides new markets for Western technology and makes the East more closely linked with the West. Who knows? If the East buys more and more Western goods, one day they may even start to buy Western political ideas?



At first the Soviets blithely ignored EC quotas. Here, a British frigate (foreground) approaches a Russian fishing ship anchored 80 miles offshore.

UPI photo

Confessions of a Eurocommunist

It's a year since Altiero Spinelli resigned the EC Commission to run as an independent on the Italian Communist ticket

INA LEE SELDEN writes from the Rome bureau of The New York Times

Altiero Spinelli, the 70-year-old ex-Commissioner of the European Community, was one of the early promoters of European unity. One year ago, Spinelli created a stir when he quit the Commission to accept an invitation to run as an independent candidate on the Italian Communist Party ticket. He was then elected to the Chamber of Deputies, and now also sits in the European Parliament.

If the Communist Party enters the Italian Government, what would be the impact on the European Community?

Spinelli: Gradually the Europeans are getting used to the idea. When in 1975 I first wrote and talked about this in the Commission, it made everyone's hair stand on end. Now they are convinced that the Italian Communist Party would not work to take Italy out of the European Community. Those that still have doubts will see that the Western system is stronger than they imagine.

What specific signs do you see of this new attitude?

Spinelli: A year, even six months ago, there were still threatening statements coming from some European leaders. But just recently in the Assembly of the Western European Union, Sergio Segre, the foreign affairs expert of the Italian Communist Party, was voted as the official reporter for the Belgrade Conference in June. This was inconceivable just a year ago.

You know, when there is a real possibility of coming into power, attitudes change. It is normal to learn to live with the Communists.

Is the Christian Democrat Party ready to carry out the kinds of reforms the Communists want? There are many who say that the Christian Democrats are a race of power barons, depending on votes from political favors to keep themselves in office, and that reform would mean suicide for them, and that the party would break up.

Spinelli: The Christian Democrat Party has very deep roots in Italy and represents a real popular force. It is based on long traditions, and its support is much stronger than its anticlerical critics would have us be



Altiero Spinelli

The Party is indeed deeply connected with what you call the power barons, but it would be an oversimplification to consider them as the most important of a much more complex political body.

I'm convinced there are today still profound doubts over the Communist issue within the Christian Democrat Party. But the party leaders realize that they can no longer go it alone. The problem is not *whether* they will take the Communists in but *when*. The Christian Democrat leaders are taking a lot of time to convince their members that their slogans of the past are now meaningless. In the meantime, the Communists are being pressured more and more from their own base. Violence from the extreme left and right in the country is



Communist Party supporters in Rome cheer election returns. UPI photo

growing fast as people become impatient for solutions.

If we remain stalled, if the Communists have to maneuver with no results, the party will enter into crisis. We have no idea of what would follow. They're sitting on a volcano. And without the Communists, there is less and less chance of governing Italy. If the situation gets out of control, it will take another political arrangement to set things right. This could come from the extreme left or the extreme right.

You are one of many who has been arguing that Italy needs the Communists in power if the country is to proceed with economic recovery. Why do you say the Communist Party is indispensable in this process?

Spinelli: The Communists have a higher political morality than any other party in Italy, and Italy has a great need for this particular quality at this moment. The Communist Party is much less subject to pressure from interest groups. We need strong management that can stand firm on issues.

The Communist Party is committed to straightening out the economy, to making it more equitable. It does not yet have specific solutions, but it does have a clearer perspective than any other party. And Italy doesn't need economic restoration but economic renovation.

What makes you so sure of the democratic intentions of the Italian Communist Party?

Spinelli: Look at the sociological makeup of the party. It's the same as the Labour Party in Britain and as the Socialists in Belgium, Austria, and the Netherlands. It includes the poorer classes who want to better their condition through reform, not revolution. At the intermediate level, its members are administrators and parliamentarians and leaders of trade unions, cooperatives, cultural circles, municipalities, regional governments.

That's the typical sociological network of all democracies. The upper level, the leaders, comes partly from this intermediate group and partly from among the old Communists, who have, however, meditated on their long and complex experience. This experience has been consistently from the beginning a long struggle for democracy, although their ideology at the outset was not democratic.

How do you view American foreign policy?

Spinelli: At the end of the war, the Americans had the attitude of the Romans when they came to save the Greeks. The Romans entered Greece on tiptoe. They were highly respectful of what they saw as a superior civilization and the cradle of their own culture. They liberated Greece. But they saw that the Greeks were unable to do anything on their own, and they decided then to dominate them. The Americans arrived in Europe in much the same way. They were more "Euro-

pean" than the Europeans. This was especially true for Eisenhower and Kennedy.

Kissinger was the first European at the helm of American foreign policy and he educated them to follow the principles of *realpolitik*. He was by no means a Europhile. On the contrary, he thought in terms of two blocs, East and West, and of all other countries as pawns to be used to keep the peace between the two blocs. Kissinger felt this gave him the right to interfere. European governments, according to Kissinger, had limited sovereignty. This was an imperial system with a stronger country establishing the order.

Do you see any signs that the Carter policy will be significantly different?

Spinelli: Carter will bring the United States back to the Kennedy/Eisenhower pro-European position that sought to make Europe more independent. But if Europe is not able to profit from this opening and assert itself, even Carter will be obliged to assume responsibility for European affairs, that is to revert to imperial methods.

Carter will also bring back the idea of an American mission of sustaining certain ideas. Energy policy is an example. Carter is posing certain problems that really do exist and must be faced. He is not offering any pat solutions. He is just saying that there are dangers and that they must be dealt with squarely.

This is positive. It will complicate life and could fail as a policy. But I believe in people's ability to create new solutions to new problems.

Do you think the Italian Communist Party is giving enough guarantees to the Atlantic alliance?

Spinelli: Let's be very frank. Today there is no country in NATO that gives full guarantees. All alliances have their limits. We in Europe know that there is a limit to how much we can depend on the United States. And the United States knows, and has experienced, the limits of their European allies.

In the last Israeli-Arab war, Germany, which everyone thought could be trusted to help out Israel in any way it could, refused to allow American planes to stop over on their way to supply Israel. In the Cuban missile crisis, De Gaulle was the only European leader to telegram Kennedy to offer solidarity. The others stood by open-mouthed. Alliances have their limits. And their surprises.

The Italian Communist Party (PCI) knows it is in its best interests that there be no Soviet expansion in the Mediterranean. If there were, for example, a crisis in Yugoslavia with the threat of loss of independence for that country, the PCI as an Italian party would work to

see that Yugoslavia remain an independent country, that it does not go under Soviet control. I don't know, however, what a country like Norway would do in such a case.

For many years you have been close to the Socialists both in Italy and throughout Europe. Why did you choose to run on the Communist ticket?

Spinelli: The Communists, and no others, made me a reasonable offer, that I appreciated and seized. I'm neither a Communist nor a member of any other party. I've a certain influence in my country because of my European views and action. I've always worked with the party that gave me the best opportunity to carry through my ideas.

I supported De Gasperi when the Christian Democrats first took up the fight for Europe after the War. I backed the Socialists for the same reasons and was an aide to Nenni when he was Minister of Foreign Affairs, and I supported the Communists when they decided to adopt the European policy. I became a European Community Commissioner when the center-left Government offered me the opportunity to act for Europe. Why should I have refused the Communists' offer of the chance to act for Europe in the Italian and European Parliaments?

Now that you've been working closely with the Communist Party for almost a year, on what points would you criticize it?

Spinelli: The Communist Party is subject to certain sectorial pressures from trade unions and is often not too conscious of the necessity to have clear ideas on the

Left-wing demonstrators hold red flags during a May Day rally in Rome. UPI photo



reforms it is calling for. But I must say the Communists are less subject to pressure than other parties, and that their ideas, even though not always well-defined, are clearer than those of any other party.

Their other defect is that they have no experience in national government; but, of course, all parties new to government have this defect.

On the positive side, the PCI is the only party in Italy facing the problems of its own history and ideology and trying to keep pace with events. When I see the

intellectual wasteland in the other parties, I must say that the long march of the PCI toward democracy is a cultural event of the first grandeur.

Would you say, then, that the PCI is the most attractive party from among a not very tempting choice?

Spinelli: Yes, I would say that. You may remember that in a similar mood Churchill said that democracy is the worst form of government with the exception of all others.

Changing US Views

In sharp contrast to Henry Kissinger, incensed and shaking a foreboding finger at Western European countries on the verge of electing Communists into office, is a new US quiet on the Western front as the Carter Administration adopts a wait-and-see attitude toward the phenomenon loosely termed "Eurocommunism." Although the Carter Administration has stressed that it is "not indifferent" to the prospect of increased Communist participation in such governments as in France, Italy, and Spain, it has also emphasized that "the position of a Communist Party in a particular country is a matter to be decided by the people and government concerned." Focusing their attack more on the style and tactics of Kissinger's diplomacy rather than its substance, leading American critics had expressed fears that a hardline approach to "Eurocommunism" would only alienate European public opinion. In turn, the West European Communist parties, which had expressed preferences for independent and democratic institutions, would be driven back into the arms of Moscow. These critics later found themselves advising Jimmy Carter on foreign policy and arguing for a more flexible approach to emerging ideological trends in Europe.

Secretary of State Kissinger had warned that participation of Communists in West European governments could have a devastating effect on the future of NATO and would inevitably mean a low priority for security against Russia and decreased spending for Western defense efforts. They would "at best, steer their countries' policies toward the positions of the non-aligned." The collapse of the political solidarity and collective defense of the West would then follow and the United States, undermined in its moral commitment to defend Western Europe, would be unable to fill the vacuum. On the other hand, Carter, during his campaign, had dismissed such scenarios of doom as exaggerations and said

Communist participation in West European governments "would not be a catastrophe." Several of his key foreign policy advisors had backed this statement by pointing out the possibility that the liberalizing influences of "Eurocommunism" on Eastern Europe could be more of a threat to an insecure Soviet Union than it would be to the solidarity of the Western alliance.

In speeches before the American Society of Newspaper Editors (ASNE), last year the two different US approaches to Eurocommunism first became publicly visible. Kissinger expounded on his theory that a Communist role in one government would mean other European governments "would also be tempted to move in the same direction." The United States must not create the impression that it was indifferent to such developments, he emphasized. An opposing panel of possible Democratic Secretary of State nominees including Zbigniew Brzezinski, George Ball, and Paul Warnke, agreed that the situation warranted some concern, but attacked Kissinger's tactics. "Hectoring the Western Europeans about the Communist threat makes the Communists more popular," argued Brzezinski, while Warnke reasoned that the United States should adopt a more "cautious, prudent, but certainly very negative attitude toward Communists coming into power." All three accepted the inevitability of the Italian Government including some Communist participation and insisted that the United States must be prepared to deal with it.

Signs of willingness to accept such Communist participation appear in the dialogues in progress between US officials and French and Italian Communist leaders. The State Department dismisses such contact as insignificant and points out that US embassies in Paris and Rome have maintained working level contacts with the Communist parties for some years. A new attitude of tolerance in dealing

with these parties, however, clashes with pronouncements by Kissinger that Communist Party participation was "unacceptable" and that "until a Communist Party actually comes to power, there will be no contact with it." Carter justifies his policy of non-interference by stating repeatedly that the United States can best influence the electoral process in Europe when it shows by example that the democratic system works. A corollary to this policy is increased emphasis in the West on the economic stability of such countries as Italy and Britain as a prerequisite to political stability.

US policy with respect to Western Europe is of course, not isolated from US policy toward Eastern Europe. The much publicized "Sonnenfeldt Doctrine" suggested that the United States was accepting Eastern Europe as a Soviet sphere of influence and implied that the United States must encourage an "organic" relationship between Eastern Europe and the Soviet Union because the rising aspirations of East European countries trying to separate themselves from Soviet influence could inevitably lead to World War III. Kissinger aide Helmut Sonnenfeldt's suggestion raised the spectre in Europe of two superpowers lunging against the threat of political pluralism in each sphere of influence—against Eurocommunism in the West and nationalism and liberalization in the East. A campaign issue was subsequently made of the apparent inconsistency between the United States opposing Communist governments in Western Europe and talking to them in Eastern Europe.

Converse criticism is launched against the Carter Administration, whose more flexible stand on Communists in Western Europe is pitted against increased human rights pressure on Communist governments in Eastern Europe. At the heart of the debate on how far to push in either direction are varying interpretations of Soviet intentions in Europe and the sincerity of West European Communist leaders who claim independence from Soviet influence.

—Sandy Feustel, *Washington-based freelance writer*

There's Hope for Agriculture



© Henri Cartier-Bresson, Magnum

But will new mood translate into agreements?

AXEL KRAUSE, Washington-based correspondent for *Business Week* covering world food and agriculture, who formerly was the magazine's European economic correspondent

"The Community's common agricultural policy is part of our overall economic policy and it must be adapted to changing economic circumstances."—EC Commission Agriculture Vice President Finn Olav Gundelach, Brussels, February 12, 1977.

Did these recent declarations mean that the nervy conflict between the United States and the European Community over agriculture was finally ending? Or was the world simply catching its first glimpse of new political forces, personalities, and approaches to trade and economic policy that would prove disappointing later? An allegorical and equivocal explanation could be summed up as follows: Regardless of the doubts concerning the future, two old and stubborn friends—haggling for years over fences

"We agree we want to stop this trench warfare. I am going to recommend . . . we recognize the legitimacy of the common agricultural policy in the European Community instead of fighting it."—US Secretary of Agriculture Bob S. Bergland, Washington, February 25, 1977.

adjoining their properties—had shaken hands, genuinely bent on seeking areas of agreement.

By comparison with the recent past, a major breakthrough had been achieved. Only last fall, the chances of anything giving in the farm policy area seemed remote as US-EC relations were strained almost beyond belief by repeated threats of retaliation, pressures, and even official hints of "some kind of rupture" between Brussels and Washington. But the election of Jimmy Carter

changed almost everything. Thus, when Gundelach and Bergland—both new to their jobs—met in Washington last February, the outcome was in large part predetermined by mutual determination to find new solutions to old, disturbing problems.

A seasoned European diplomat based in Washington summed up his impression as follows: "With Carter in the White House and new faces in Brussels, there simply had to be signs of fresh, forward motion, and that is precisely what we see in the Gundelach-Bergland statements."

Right now further, unmistakable signs are emerging that increasingly point to areas of possible agreement—similar approaches to international commodity stabilization schemes, for example. Both within the Community and the United States, pressures are building for fighting worsening food inflation by "restructuring" important segments of the farm economies. And leaders in Washington and Brussels appear to be winning some significant political battles for this cause, despite grumbling and vociferous opposition of powerful farm and other agricultural groups. Indeed, some diplomatic observers have recently suggested that agriculture could prove to be the key starter—and crucial test—in improving US-EC relations, as well as in moving the stalled Tokyo Round of trade talks in Geneva to head off the threat of rising protectionism.

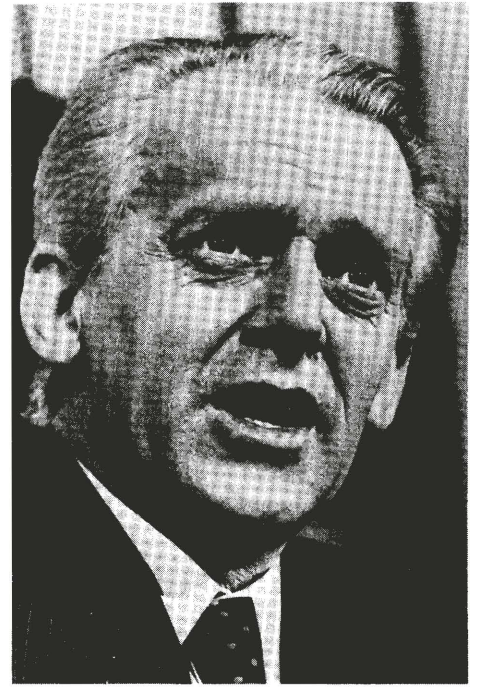
While it was only one of numerous economic cooperation pledges made during the London seven-nation summit meeting in May, farm policy was singled out for action. The participants agreed in the final communiqué to develop "a mutually acceptable approach to agriculture that will achieve increased expansion and stabilization of trade and greater assurance of world food supplies."

Such pledges are not new, of course, and there are plenty of signs to prove that finding workable agreements will not be easy. In firm, unequivocal terms Gundelach told a press conference earlier this year: "I have no intention to preside over the dismantlement of the common agricultural policy," which, he declared, "is sound in its fundamental principles . . . it has served the Community well." He continued by reminding the press that European cities were still in the grips of unemployment and that he would steadfastly oppose any moves that "would accelerate an exodus from the land into the cities." Indeed, Gundelach suggested the Community's policy might even reverse the accelerating drift from the farms into the cities by "making it attractive again for young people to take up agriculture."

EC officials and agricultural groups also regularly remind Americans of their stake in trade—stressing that agricultural products represent only 7.7 per cent of total EC exports, but 21 per cent of the imports, while noting

Finn Olav Gundelach believes the Community's common agricultural policy "must be adapted to changing economic circumstances. . . ."

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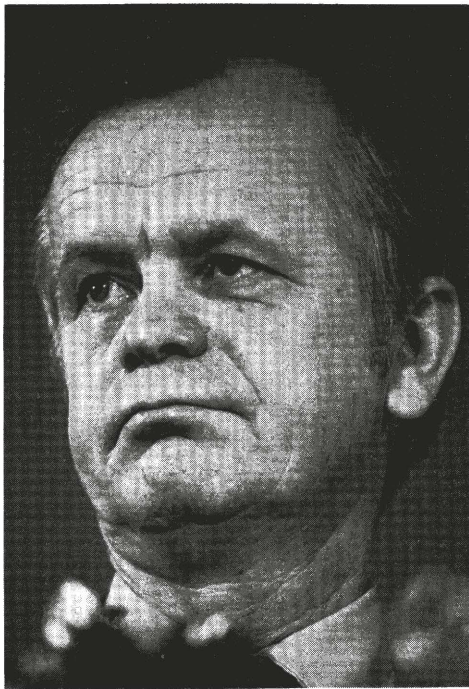


that the Community still imports a fifth of its growing agricultural requirements from the United States and is America's largest single market. The tone is more polite and less aggressive now than during last year's exchanges between top US and EC officials. But it is pointed, nevertheless, as Europeans increasingly attempt to show similarities between agricultural policies on both sides of the Atlantic, which is a new—and highly perceptive and essentially correct—assessment.

This viewpoint was succinctly summed up in a speech by Sir Henry Plumb, president of the Comité des Organisations Professionnelles Agricoles de la CEE (COPA), to the National Farmers' Union in San Antonio last March: "The facts show that the EC common agricultural policy has not been an obstacle to trade," he declared. "Although the agricultural policies of the Community and the United States are very different in their mechanisms, one cannot be said to be more protectionist than the other . . . both aim to insure sufficient supplies of food through providing some guarantee to producers in one form or another at the least cost and as efficiently as possible."

Former US Agriculture Secretary Earl L. Butz and other members of the Republican Administration would regularly and heatedly refute such logic, while defending a "free, open, and competitive" American agricultural policy. This boiled down to steering—and keeping—the government out of agriculture, and shelving various mechanisms for supporting farm incomes and prices. Bergland has sought to reverse those policies.

HAVING REGULARLY DISPUTED the Butz approach while a Democratic Congressman, Bergland quickly became known as the most interventionist-oriented member of the new Carter cabinet. "In the past we heard about



Bob S. Bergland recommends the United States "recognize the legitimacy of the common agricultural policy. . . ."

UPI photo

non-intervention, but this proved unworkable when things went wrong," he explained. "The result was boom-bust conditions for growers and consumers, export embargoes, and the like. So I say it is not a matter of whether we have intervention or not, but whether it is well-planned."

The Carter Administration fully supports legislation that would blend direct subsidies for ailing sectors, such as the sugar growers, while buttressing incomes of wheat and grain growers along with the dairy industry—possibly running as high as \$4 billion in outlays per year. "Both the President and I are committed to the proposition that we need to keep a market-oriented economy . . . but a food policy recognizes that we have 50 million people in the United States who spend everything for food and we need to help them," Bergland further stated.

It was in this spirit last February that Bergland made his widely-quoted statement about a new determination to recognize the "legitimacy" of the Community's common agricultural policy. "We do not necessarily like it, but it is there. I am a realist," he said.

The impact of the "New Look" on EC officials was immediate, prompting expressions of a growing but cautious optimism. Following his first meeting with Bergland in Washington on February 24, Gundelach told journalists that "all the signs were for very good relations," even though he conceded it was still too early to say what directions specific negotiations might take.

Within several weeks, Plumb's speech to the National Farmer's Union gave US policymakers a hint of the EC view. "We shall be prepared to meet you halfway on moves that are genuinely designed to bring about an expansion in outlets for farm products in our respective

communities on either side of the Atlantic," he said. Although the suggestion was made in full knowledge that it would not materialize soon, Plumb also told his US counterparts: "European farmers believe that in return for taking your feedstuffs (such as wheat, grains, and soybeans) you should be prepared to open your markets to the dairy and meat products produced for them." Such statements had rarely been made so openly, prompting mixed reactions in Washington. Cracked a senior staff official of the powerful Senate Agriculture Committee, "US farm interests always have and should come first—meaning growing exports to the Community and other parts of the world; so I don't pay too much attention to all the rhetoric and friendly phrases we are increasingly hearing."

Meantime, however, top US and EC policymakers continued pursuing what appeared to some observers as similar, if not parallel, paths on domestic issues. Gundelach made it clear that he was determined to tackle what he frankly termed "problems inside the common agricultural policy"—notably structural surpluses in such sectors as the dairy industry, a long-time *bête noire* of the United States. "What is not normal is that over a long period of time surpluses are building up which can not find a place on our market or on international markets," he stated. EC planners also showed new determination to fight growing food inflation.

Recent decisions by the EC Council set in motion what a senior Commission official described as nothing less than "a new orientation that could affect our farm structures over the long term." Specifically, the new prices set for the 1977-78 crop year—an average 3.9 per cent for the nine member nations—not only were clearly anti-inflationary, but went contrary to the interests of the main EC farm lobbying groups, representing 9 million farmers, which had sought an average increase of 7.4 per cent. "Our farmers now must find the opportunity to switch to more viable forms of agriculture or other production," said an EC official. Gundelach told journalists in Brussels that he was "very satisfied" with the outcome, which also included a plan to reduce milk production in the Community through a levy on milk producers. And the Community rejected a proposed tax on vegetables and marine fats, a protectionist measure that, since it would hit US exports, had been heatedly opposed by Washington.

Within several weeks, the Carter Administration announced a subsidy program to help domestic sugar growers that could cost American taxpayers up to \$240 million a year. But the move was described by Carter/Bergland strategists as being only temporary and aimed at helping out inefficient producers until they could find new activities. Equally important, the program avoids tightened import quotas that were recommended last

March by the US International Trade Commission. "Everyone, including the Europeans, could be pleased with this one," said a Bergland aide. The Carter Administration and Congress also backed a recent industry-sponsored plan to help cotton producers compete with synthetic textiles by sharply widening usually tight import quotas when domestic prices rose sharply. Both moves paralleled EC efforts to control prices by influencing supply, yet without resorting to new protectionist measures.

CAN SUCH MOVES BE TRANSLATED into broader agreements in the international arena, notably the Multilateral Trade Negotiations in Geneva? Until the London summit meeting in May, there was little doubt that these talks were, in the words of Robert S. Strauss, chief US trade negotiator, "stalled." But, he told the Trade Policy Research Center in London last April, "let us not undersell these trade talks, either. . . . We will substantially reduce tariff and nontariff barriers to trade, and we will regulate and reduce the creation of new barriers." Nearly identical language was used in the final communiqué of the summit, which also singled out agriculture for one of several "substantive" areas earmarked for negotiation.

Indeed, it was widely conceded that one of the major areas of agreement at the summit was on measures to help the developing countries—by stabilization of commodity markets through buffer stocks, a position long argued by the European Community. What had happened in Washington was a particularly significant shift in thinking. Dale E. Hathaway, Bergland's assistant agriculture secretary for international affairs and commodity programs, summed it up this way: "We are seeking approaches that will help moderate price swings around some equilibrium level—worldwide where possible—while stabilizing producers' income and consumer prices."

US negotiators have been testing the new approach in two key farm commodities—sugar and wheat. Starting in mid-April representatives from the United States, the European Community, and nearly 80 other sugar consuming and producing countries met in Geneva under United Nations (UN) auspices to seek agreement on various market stabilization proposals—including an establishment of a wide price "corridor," plus a worldwide network of reserve stockpiles to keep the market price within prescribed limits. While US and EC negotiators differed over a system of sugar export quotas that had been put forth by Washington, diplomatic observers said the final outcome of the sugar talks would indicate chances of reaching agreement in other areas, notably wheat.

Since May, US, Canadian, Australian, and EC officials—representing the world's major wheat exporters—have been meeting with a view to agreeing on a similar international agreement for wheat, even though

past accords had failed. And although these talks have been taking place in the International Wheat Council (IWC), there is wide consensus that they should be shifted to the Geneva Multilateral Trade Negotiations (MTN) meetings. The strategy, as outlined by Fred H. Sanderson of the Brookings Institution, would consist of reaching an agreement in the MTN and then "finalized in the IWC under UN auspices"—a procedure that was followed in the grains agreement reached in the Kennedy Round trade talks.

EC officials are hopeful that sensitive bilateral trade issues—brandy, cheese, and canned hams—might also be negotiated within the MTN. The question remains, of course, as to how agriculture will be handled. Reiterating a long-established EC stance of keeping farm and industrial products separate, Plumb told his US audience: "What we will simply not tolerate is a trade off between *your* industrial and *our* agricultural products." But even this question is no longer as sticky as it was several months ago. "The procedures are not important and no one is really thinking in terms of European widgets for American soybeans," explains a senior Carter Administration trade specialist. "The important question is whether or not we negotiate agriculture *per se*, and the US position is clear—we are ready to do so."

The best guessing among US and EC diplomatic observers is that the Tokyo Round will accelerate sharply in the fall. And agriculture will definitely be part of whatever final agreement is reached, according to recent, firm predictions by the Carter Administration, even if industrial and agricultural talks are held "in parallel," instead of being linked as the United States has regularly urged.

The thinking of top US Department of Agriculture (USDA) strategists, including Bergland, has recently focused on real tradeoffs—possibly improved access to US dairy markets by EC producers, for example. But in return, the Community would have to negotiate reduction or elimination of export subsidies, according to this scenario. "We are not about to open up our dairy market to Europeans seeking to dump subsidized cheese or whatever, and on that score, something is going to have to give," in the words of a senior USDA official. Meantime, some EC strategists were hinting that compromises might indeed be found. Said one: "Things could become unstuck, and if they do, subsidies might be stabilized for some products."

THERE REMAINS THE POLITICALLY SENSITIVE issue of whether or not, and to what extent, Bergland and Gundelach will be able to influence the course of events. The silver-haired, enthusiastic EC official—"Denmark's formidable Finn and Superstar"—is the nearest personality the Community has to Henry Kissinger, according to *The [London] Economist*. "If he can handle the near-



impossible farm job, he will be the favorite candidate to succeed Roy Jenkins as Commission President in 1981," the magazine predicted last year.

Drawing on his depth of understanding of complex economic and trade issues—developed while in the Danish foreign service and the General Agreement on Tariffs and Trade (GATT) secretariat in Geneva—Gundelach is determined to be more than a technocrat. "He is highly politically skilled and motivated," said a long-time admirer in Washington. "He is pushing to make a success of agriculture, to leave a lasting mark, and move onwards."

His US counterpart comes from a totally different background. Bergland's first passion has always been politics, forged in the House of Representatives, where he served successfully as a hard-hitting liberal Democrat from Minnesota. Bergland over the past few months has been attempting to work with the international complexities of farm policy, but this is not an easy task, in light of what James Reston of *The New York Times* recently described as "the confusion of responsibility for such matters"—"matters" being the international aspects of not only agriculture policy, but monetary, credit, trade, nuclear, military, energy, and transportation issues.

"In many ways, Bob and Finn face the same formidable challenge," said a Washington observer: "How to bring their backgrounds and concerns over agriculture to bear on their colleagues and superiors in the context of the overall shifting and potentially explosive political situation." To put it another way, the relations between President Carter and his European counterparts—notably German Chancellor Helmut Schmidt and French President Valéry Giscard D'Estaing—will probably have more to do with the outcome of US-EC agriculture relations than the individual efforts of Bergland and Gundelach. And at least outwardly, those relations have been strained in recent weeks over issues ranging from the degree of economic stimulation needed to achieve growth in Europe, to the entry into New York by the supersonic Concorde.

For many observers, the London summit meeting simply papered-over and rubber-stamped the policies of each of the seven participating governments. Nevertheless, the signs also are clear that efforts toward finding agreements will be continued in the months ahead, including in agriculture. "Despite the lack of dramatic breakthrough in London, there is conviction that there are answers," mused a Washington-based European official, noting that Bergland and Gundelach were expected to hold their second meeting in Washington during July. "In fact," he added, "the atmosphere in our sector right now is marvelous. The nagging question is: can it be translated into concrete agreements?"

To fight urban unemployment, can Europe's common agricultural policy reverse the accelerating drift from farms, such as shown above in Sicily, into cities? © Bruce Davidson, Magnum

The Steel Slump

Is it more than a short-term cycle?

H. PETER DREYER, *Brussels-based European news editor for the Journal of Commerce*

STEEL INDUSTRIES IN THE EC MEMBER STATES ARE undergoing a severe crisis. This appraisal is uncontested and is corroborated by new steel policy guidelines recently adopted by the EC Commission, which relate both to the actual market situation and a restructuring of the industry. Other evidence of crisis: National large-scale restructuring operations are envisaged in France and Belgium; also in Belgium specific rescue actions in the form of state credits are underway; and voluntary restrictions have been imposed on steel producers in the Community as of the beginning of 1977.

It is too early to assess the impact of measures either recently introduced or actually still in the blueprint stage. More particularly, it is too early to either confirm or reject the fears and problems such steps already have caused or may cause. There can be no doubt, however, that these measures will give EC producers some sort of protection against excessive and/or cheap imports from the outside. What remains to be seen is whether such tentative fencing off will be tantamount, as some have charged, to eliminating free competition in international steel trade.

Time alone will show what is meant by "restructuring," how far it will in fact go, and whether in the long run it will make the situation better or lead to more balanced competitive conditions. It might be useful within this context to establish some of the conditions behind the industry's present troubles. These are by no means limited to mills in the Community. Steelmakers in Sweden, for instance, are now facing a deep crisis. An analysis made public in late April concluded that between now and the early 1980's Swedish producers of merchant (as distinct from special) steel may well have to lay off about one-fourth of their work force.

The United States steel industry is not faring all that much better. While prospects for the American economy may look brighter than those in the Community, the stark fact remains (as reported by the Brussels-based International Iron and Steel Institute) US production of crude steel in the first quarter of 1977 was 6.7 per cent lower than a year earlier. For the Community (of the original

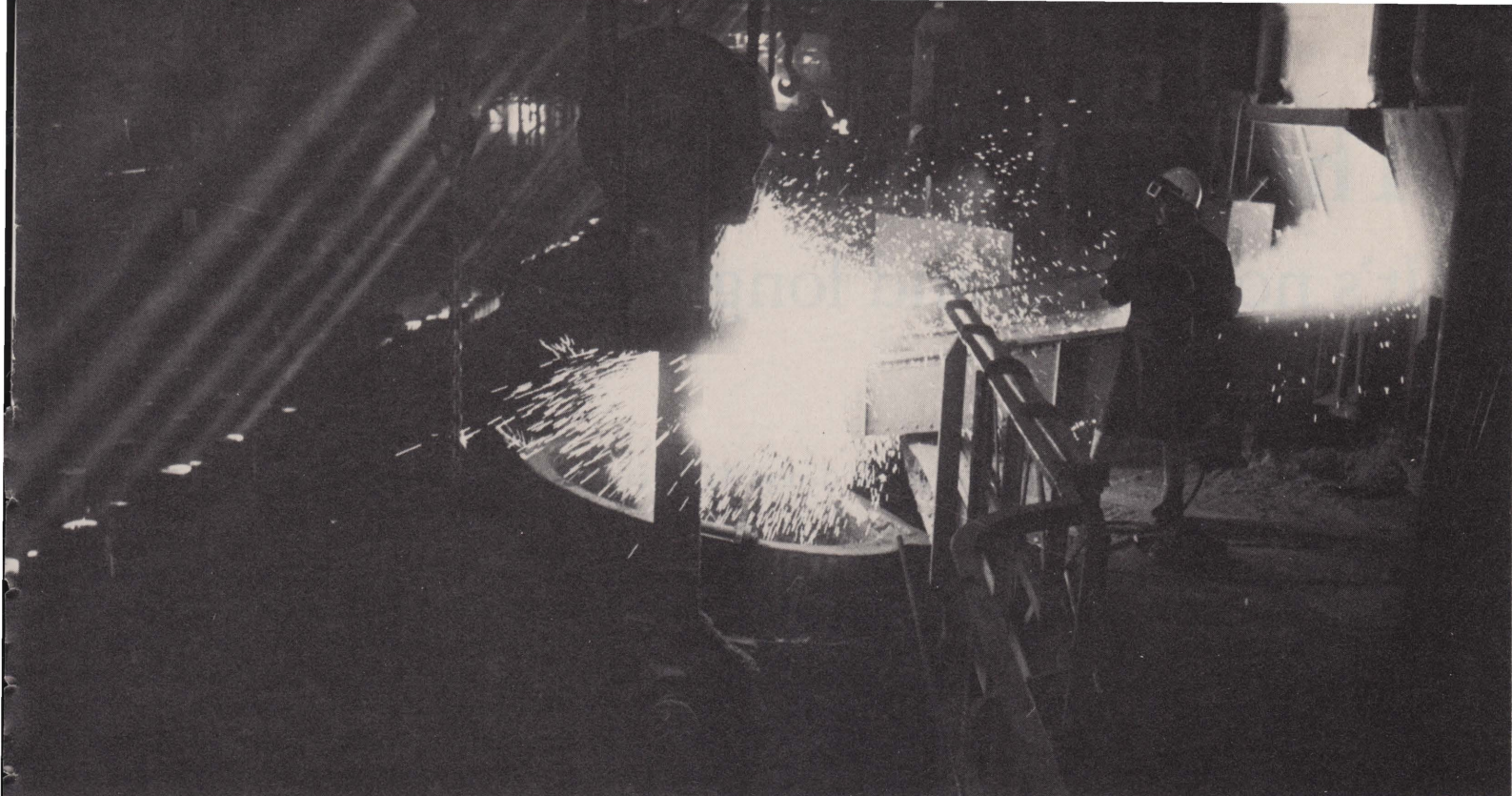
Six) the comparable drop was 1.1 per cent; for the United Kingdom, 1.5 per cent. Imports of low-cost steel are at least as much of a headache to American producers as they are in Western Europe.

Western Europe has always known frequent ups and downs. Steel is very much a cyclical industry, and, what is more, the cycle is relatively short. In the past two decades, no more than four or five years have usually passed between one crest of the wave and the next one.

WHAT IS MAKING THINGS SO MUCH WORSE TODAY, what is causing not only economic but severe social problems as well, is that the latest cycle has coincided with the worst recession since the 1930's. In Germany, for instance, about 50,000 out of 200,000 workers are working short weeks, and in the Community altogether, the jobs of some 100,000 workers are endangered. This recession is not yielding to "treatment" as fast as had been hoped in late 1975 or early 1976. Thus, by general consensus, 1975 was a bad year for steel, but by early the following year it was widely assumed that 1976 would make up a good part of the ground lost, and that the gains would continue substantially in 1977.

Those predictions appeared to be reasonable at the time, yet by mid-summer of 1976 they had turned out to be overly optimistic. The upsurge of orders anticipated for the autumn months simply did not materialize. Prices, which in the early months of the year had recovered somewhat from their 1975 lows (those of cold rolled coils that are used for automobiles had reverted to their earlier high), stopped moving up further, and one or two even declined.

Since then, the situation has not changed appreciably. Hopes that business might pick up have been put off successively from one quarter to the next. Prices by and large have not firmed up, but it is somewhat cold comfort that they have not declined either since, say, the beginning of 1977. Steelmakers, whose reserves are customarily big enough to last out one bad year, have to face a much protracted downturn. Barring a dramatic and unexpected turn-around in the next few months, 1977 gives



What makes things worse for European steel, a "cyclical industry," is that the latest downturn has coincided with the worst recession since the 1930's.

no promise of being much better than last year.

The sad fact is that the principal users of steel still show few signs of stepping up their operations. The automobile industry is the one major exception: Its orders, plus the restocking of depleted inventories, triggered the more confident appraisal in the winter of 1975-76. But while it is continuing to operate at a high and generally satisfactory level, it cannot single-handedly pull steel out of the dumps. Building and construction, another large user of steel, remains distinctly sluggish, and the shipyards' situation is worse still. More generally, there is the hesitation of businessmen everywhere to go ahead with new (and presumably steel-consuming) investments. Nor does there appear to be any significant additional inventory demand.

The problems do not end there. The current crisis has made it evident that conditions are not uniform throughout the Community. In some member countries the modernization of steelmaking was not fully carried out in past years, for it might have entailed work force reductions that were considered politically undesirable. Belgium, more notably its Walloon region, is a case in point. As Cockerill, the country's leading producer, has noted, a worker there annually produces 206 tons of steel, as against 370 tons for a worker at Germany's August Thyssen Huette, or 524 tons per worker at Japan's Nippon Steel. The impact of such differentials is the more damaging since Belgium, with its limited domestic market, depends more than other EC producers on its steel export rate.

Inevitably, in such unfavorable competitive circumstances, EC losses have not been limited to exports to

third markets. The Community's own market is also up against imports from third country producers who, like the Japanese, turn out steel more cheaply or, such as some state trading countries, may wish to sell steel at below cost simply to earn foreign exchange. As noted recently by Viscount Davignon, EC Commissioner responsible for industrial policy and steel policy guidelines, steel imports are not a quantitative problem: Their market share is only around 10 per cent in the Community. Their true impact is on prices.

In this situation, the Community faces a real dilemma. On the one hand, dependent as it is on the flow of foreign trade in both directions, it cannot isolate its steel market by protectionist measures. Nor can it hope to make its steel industry permanently competitive by vast government subsidies. Against that, since steel is a key industry, Europe cannot make itself dependent on the outside world for steel supplies either, as has been the case—up to a point—for its textile needs.

Restructuring is conceived as the way out. EC mills must try to regain their competitiveness by extensive modernization and rationalization measures, no doubt assisted by public credit and other financing facilities. But this is not an unproblematic solution either. In the first place, and almost automatically, such measures will imply that a part of the work force is made redundant. For those so affected, other employment opportunities must be found. Secondly, even if operating at maximum effectiveness, steel will continue to be exposed to the vicissitudes of demand and supply patterns. Programs now launched entail no guarantee of sustained profitability.

The Auto Recovery

It's no boom, and long-term problems loom

JOHN STARRELS, *political scientist at the George Washington University, Washington, D.C.*

THE EUROPEAN COMMUNITY'S AUTOMOTIVE INDUSTRY appears on the verge of making a full recovery from the 1973-74 recession. Oil prices remain high, but West European auto makers have gotten used to them. The massive unemployment visited upon the industry in 1974, accompanied by a production over-capacity of 32 per cent for the "Nine" as a whole, has begun to disappear. Companies have either permanently reduced their work force, or have begun selectively to rehire laid-off employees. In the wake of higher oil prices and a more competitive international automotive market, European manufacturers have "rationalized" the production process, have sharply raised the prices charged for private transportation vehicles, and have become increasingly willing to move their industrial operations to low-wage areas of the world in order to maintain a competitive position.

The automotive industry is vital to the present and future economic well-being of the Community. A total of 4.7 million people earn their living by the manufacture of West European automobiles. One-fourth of all cars manufactured within the nine member states are exported to third countries, both developing and developed. In terms of individual countries, such as Germany, the balance of payment implications emanating from a healthy and internationally competitive auto industry cannot be under-emphasized. Within the Community, 80 per cent of all private transportation is a direct responsibility of the automobile, and 50 per cent of all goods transported within the Community are carried within motor vehicles.

In the Community's relationship with the rest of the world automotive industry, several points are especially significant: First, along with the sharp increase in fuel and labor costs has come an increase in automotive manufac-

Earning their living by the manufacture of West European automobiles are 4.7 million persons, a few of whom are pictured here on a Renault



ture in both developing and socialist countries. Brazil, Nigeria, Argentina, and Mexico are now playing crucial roles in the first instance, while Poland, Yugoslavia, and the Soviet Union are becoming increasingly important auto exporters within the Communist bloc. Second, by far the most important competitor of the Community on the international level—and especially for the US market—is Japan.

Finally, while anti-dumping duties were not formally assessed against West European and Japanese manufacturers by the US International Trade Commission in a series of hearings last year, the Europeans and Japanese have agreed to increase the cost of exported vehicles by an average of \$500 for sale in the American market. The European desire to transcend these difficulties by moving production and marketing facilities to the United States represents one tangible response to the threatening spectre of American protectionism. It also reflects a cost analysis that wages in the United States may be comparatively lower than those paid to European workers.

THE COMMUNITY IS SERIOUSLY COMMITTED to the “harmonization” of automotive production and safety standards. The gamut runs from noise emission standards for engines and exhausts to anti-theft devices. As for environmental issues, the Commission has proposed, among other things, that the lead levels in gasoline be reduced to a maximum of 0.40 gram per liter.

But massive national governmental intervention in national industries has posed a dilemma. On the one hand, the Commission is aware of the political importance of

national automotive industries; and despite occasional criticisms of government rescue efforts, it has generally accepted the reality that public subsidies—such as the nationalization of British Leyland in early 1975—to individual automotive manufacturers are politically necessary. On the other hand, the Commission frowns on the type of intervention mainly designed to shore up a shaky national concern that may indirectly restrain commercial competition between member states. But until the economically weaker members of the Community—Britain and Italy—are able to revive their automotive industries, chances are small that the Commission will act decisively against interventions.

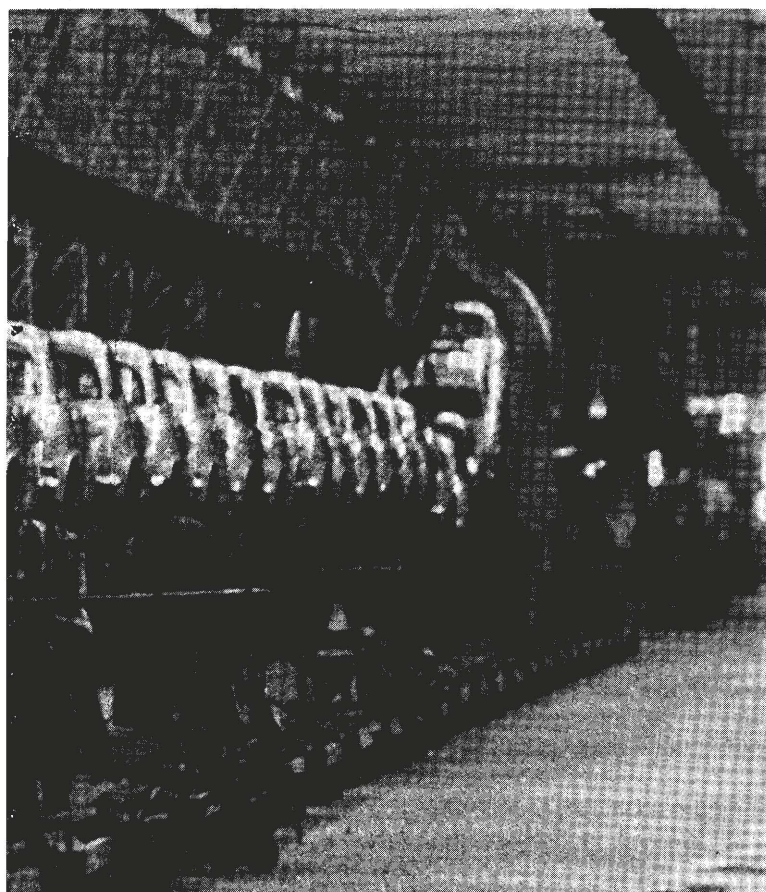
The problems facing Western Europe’s automotive industry are long-term. Retail prices for cars have risen by 30-50 per cent over the past two years, due to increased labor and energy costs. In countries such as Italy and Britain, which now have high levels of inflation and industrial unrest, the possibilities for reducing sales costs are hardly auspicious. The “colonization” of Community automotive markets by outside competitors, particularly the highly efficient Japanese, raises equally complex problems for the Community. Should Japanese automobiles be partially discriminated against because their massive market intrusions are creating havoc in selected Western European markets, especially within Britain?

US-based multinational corporations (MNC’s) operating within individual Community markets are no less troubling. The potential for market disruption, and resulting political dislocations, by American MNC’s is very real in countries experiencing severe labor-management disagreements. Chrysler came close to leaving Britain in the fall of 1975, but was persuaded to stay after the Wilson Government agreed to help the ailing multinational with a package of financial guarantees.

But the scenario could easily be repeated. The long-term prospects for energy self-sufficiency are hardly optimistic, with the exception of Britain and its possession of North Sea oil. Recent German-American disagreements over the export of nuclear fuel plants to the developing world are only the most recent manifestations of the energy dilemma that directly and indirectly affects the future of the European automotive industry.

Given this situation, 1976 was a relatively good year for the industry as a whole. Volkswagen did especially well by making a \$400 million profit, thereby reversing a previous two-year deficit. Production capacity has been cut back to realistic levels, energy conservation programs are beginning to affect the auto industry in constructive ways, and various national manufacturers—Volvo and Volkswagen for two examples—are moving their plants to lower-wage areas. If the boom years of the 1960’s and early 1970’s are over, the traumas have also come to an end. At least for the moment.

sembly line in France. © Marc Riboud, Magnum



A Businessman Looks at Europe

“Practical as well as idealistic reasons for integration”

DAVID A. ORR, *chairman of Unilever Limited*

THIS TWENTIETH ANNIVERSARY OF THE EUROPEAN Economic Community is a good time to take stock, to look back at what has been achieved, to consider the problems facing us today, to look forward at what still has to be done. I do so because what happens in the Community is of great importance to us in Unilever. Our founding fathers were citizens of these countries. Our head offices are there, and the larger part of our business has always been in Europe. Sixty per cent of it is still in the Community. We also do most of our research in the Community, though the contribution of other countries is increasing.

Unilever is, indeed, of some importance to the economy of the Community. We employ nearly 177,000 people in over 200 factories and offices. This makes us one of the Community's largest employers. We spend over 500 million pounds a year buying from the Community's farmers, and as much again buying from its other industries. We pay over 350 million pounds in direct and indirect taxes to its governments. We exported last year goods worth over 1 billion pounds; two-thirds of this trade was between one Community country and another. This year we expect to invest 300 million pounds in the Community on fixed assets alone.

Naturally, my predecessors were from the beginning supporters of the idea of a Western Europe restored through unity to vigor, prosperity, and influence. Our very nature as an international company where many nationalities successfully cooperate made us believe that the nations of Europe could work together and learn to hammer out common policies through reason and discussion. Our experience of the damage done by the tariffs, quotas, and exchange restrictions of the 1930's convinced us that a common market would contribute to an improvement in Western Europe's standard of living.

If we compare today with 20 years ago, there has been great progress. In a detailed and unspetacular way that progress continues, but there is no doubt that the political will to unite has faltered. This is certainly due in part to the strain of absorbing the new members, but mainly it is because the economies have been tending to drift apart. This tendency has been aggravated by the recession. In-

evitably, the member states have concentrated more and more on their individual problems of inflation and unemployment, and have thought less and less about how to develop the Community as a whole. The measures they have taken to defend their own interests have all too often had the side effect of strengthening the forces that are pulling the Community apart.

This has been particularly true in monetary matters. Varying rates of inflation, huge deficits in some balances of payments, large surpluses in others, have caused wild fluctuations in rates of exchange. Since 1971, the pound has lost over half its value in relation to the guilder. This creates considerable problems for international companies in equalizing dividend declarations and in report results. Between 1971 and 1976 the very same profits are shown as rising by 44 per cent in guilders, by 192 per cent in sterling.

SUCH DIVERGENCIES PUT THE FUNCTIONING of the Community under stress. They produce sudden, large differences in costs and prices; and when different parts of a single market move sharply out of line with each other—in a way that does not happen in, say, the United States—all investment decisions are made much more difficult. When exchange rates and relative inflation rates are so uncertain, the problems of choosing the location of a factory or deciding which source of supply to use within the Community become much more complex.

The divergence of the member states' economies also threatens the Community's most notable single policy, the common agricultural policy. This policy is already under attack, especially because of the large surpluses it creates. Solution of the surplus problem through price mechanism has always been difficult, for understandable social and political reasons. But the problem has now been further complicated by the fact that there are no longer genuinely common prices throughout the Community for agricultural products.

In theory, in common units of account, the prices are the same. In practice, in the marks and guilders and pounds the farmer gets and the housewife pays, they are



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June, 1977

PERSPECTIVE



The European Idea *On Trial Between the Wars*

CARL H. PEGG, *Alumni Professor Emeritus of Modern European History, The University of North Carolina at Chapel Hill*

The "European idea," or the idea of organizing and uniting Europe, goes back to the Middle Ages, but it attracted little attention until the nineteenth century when a series of developments began to transform European life. The emergence of an international peace movement enlarged the scope of the age-old argument that organizing Europe was the surest way to peace; unification movements in Germany and Italy gave nationalism a more militant character and intensified political and economic rivalries in Europe; the rapid advance in technology and industry promoted interdependence and provided the means for integrating the whole continent economically, thus pointing out the drawbacks of small political and economic units; and the United States, Russia, and Japan rose as economic powers capable of challenging Europe's time-honored position of economic and military leadership in the world.

This complex of developments had already made a noticeable impression by the turn of the century. In 1899 William Stead, British journalist and editor of *Review of Reviews*, wrote a little book entitled *The United States of Europe*, in which he argued that the increasingly interdependent states of Europe were moving "with slow but relentless march" toward a European federation. In June 1900 French economists and political scientists met in Paris to discuss the question of European political and

economic federation. Their concerns included the burden of growing armaments and increasing competition from the United States and Japan. In the early days of 1914 Max Waechter, British industrialist of German birth, organized a "European Unity League" with headquarters in London to work for "a federation of the states of Europe on an economic basis." A few months later a similar group appeared in Holland.

While the overall effects of the First World War on the European idea are still unclear, it is beyond question that this self-destructive orgy had a profound yet subtle impact on the idea. Indeed, the European idea never dropped from sight during the war. The *Review of Reviews* published an article in its first issue after the outbreak of war entitled "The United States of Europe: The Only Way Out." Jules Romains, noted French writer, composed his famous poem "Europe," and talked and wrote about organizing a European Party when the war was over. Walter Crane, British journalist, designed a calendar cover in 1915 which pictured a dying soldier looking into the distance at a transfiguration with the caption: "A vision of the future from the battlefield: The United States of Europe."

But perhaps the most impressive plea for a European federation during the war was made by Giovanni Agnelli, Italian in-

dustrialist, and Attilio Cabiati, Italian economist, in a book entitled *European Federation or League of Nations?* They attributed the war to Europe's arrogant nationalism and rejected the projected League of Nations as a loose, powerless confederation of sovereign states, and thus a dangerous deception. The two Italians marshalled an imposing array of arguments in support of a European federation with a European parliament and a European defense force as the road to peace.

The idea of a universal League of Nations had received an enormous boost when the United States entered the war. But the members of the Proudhon Society in France, led by Jean Hennessy, continued to say that the world was so diverse politically and culturally that regional federations would have to be formed before a universal League could be effective. Fridjof Hensen, Norwegian zoologist, explorer, and politician, stated in an open letter to President Wilson (*Vorwärts*, December 29, 1918): "Lasting peace in Europe will not be possible until all the states of Europe have been joined together under the banner of the United Republics of Europe."

Jean Hennessy and the noted French historian Alphonse Aulard argued that the projected League of Nations would have little chance of success unless Europe were quickly organized and united, thus linking the League's future to the unification of Europe.

Herbert Hoover observed in a report to the American Relief Administration dated July 3, 1919, that the war had had suicidal overtones for Europe and that there was a danger that the peoples of Europe would become "enslaved to the Western Hemisphere." The Supreme Economic Council of the Paris Peace Conference, on which the youthful Jean Monnet sometimes sat as an expert, spoke in its final report of the shattering losses which all the European belligerents had suffered and called for a concerted European effort at economic reconstruction. Albert Demangeon, professor of geography at the Sorbonne, in his book *Le déclin de l'Europe* (1920), asserted that all Europe had lost because the war had shifted the center of economic gravity away from Europe. He predicted the process of "de-Europeanization" would become increasingly serious unless the states of Europe formed some sort of economic front—Europe could save itself only through a "continental economy."

Businessmen in France and Germany sensed much of what Demangeon was saying, and some, encouraged by Luxembourg industrialist Emil Mayrisch, began making

ropean consortium for the development of trade with Russia. Despite the Treaty of Rapallo between Germany and Russia (which wrecked the Genoa Conference), and the occupation of the Ruhr by France, Belgium, and Italy, business elements in France and Germany never completely lost touch. Even in the autumn of 1923—days of runaway inflation in Germany and of the Hitler-Ludendorff *Putsch*—there was a great deal of talk, again led by Mayrisch, of a Franco-German committee of business leaders to work for economic and cultural cooperation.

Joseph Caillaux, former Premier of France, in a book and articles advocated "the transformation of all Europe into a single economic unit" with North Africa firmly bound to it. Wilhelm Heile, Reichstag deputy and editor of *Die Hilfe*, called for *Anschluss* as a prelude to a United States of Europe. Richard Coudenhove-Kalergi, who was to become the best popularizer of the European idea, wrote *Panuropa* (1923). And several well-known writers, including Jacques Rivière, Heinrich Mann, and René Arcos, wrote vigorously in support of the European idea,

issue of Coudenhove-Kalergi's periodical, also called *Panuropa*, appeared. At the same time Charles Gide of France, Edgar Stern-Rubarth of Germany, and Erno Bleier of Hungary organized a "Committee for a European Customs Union" and addressed a manifesto "to all Europeans" which concluded: "Unless you want to see your Europe engulfed in anarchy, and the world about you turned into chaos, . . . rally behind a European Customs Union." A few days later the peace movement in France surfaced when the French electorate put power in the hands of Edouard Herriot and the left bloc.

In early autumn Herriot, as Premier of France, said in an address at the Sorbonne that France was ready to "work for a United States of Europe." Gustav Stresemann, Chancellor of the Weimar Republic of Germany, expressed his approval by saying there could be "something of an economic flowering" in Europe if Germany were given full economic freedom. Stern-Rubarth, who was close to Stresemann, wrote in *Vossische Zeitung*, the German daily which was most sympathetic to the European idea, that "European unity had made visible progress since Herriot's speech." He said a number of German and French industrial leaders were beginning to realize that "a customs union offers Europe an alternative to the economic chaos which threatens to engulf the whole continent."

On January 17, 1925, Georges Bonnet, prominent French deputy, wrote in *L'Europe Nouvelle*, France's most influential weekly: "When one looks at the United States with its gold and powerfully equipped industry and at Asia, which in turn arms itself for the economic battle to come, one realizes that the time has come to establish an economic United States of Europe." Eleven days later Herriot turned again to the matter, this time in the Chamber of Deputies: "My greatest hope is to see a United States of Europe, and if I have put all of my strength behind the League of Nations, it is because I have seen in this institution a stepping stone to a United States of Europe."

Herriot's second open endorsement of the idea brought a greater response than his first, partly because it was made in the Chamber of Deputies and had an official ring. Coudenhove-Kalergi, who had spent much of the month in France, rushed to Berlin in the hope that he might persuade Chancellor Wilhelm Marx to make a similar statement in the Reichstag. Carl Endres, foreign correspondent for the *Ber-*



An interwar dream became a post war reality in the Treaties of Rome, commemorated here in their twentieth anniversary last March.

contacts across the Rhine. In June 1921 Louis Loucheur of France and Walter Rathenau of Germany—both prominent in political as well as business affairs—talked at Wiesbaden about such things as a Franco-German economic alignment, growing competition with the United States, and a Eu-

largely as a means of disarming Europe's economic frontiers and solving the minorities question.

THE YEARS 1924-25 WERE HIGHLIGHTED by the Dawes Plan, the Geneva Protocol, and the Locarno Pact. In April 1924 the first

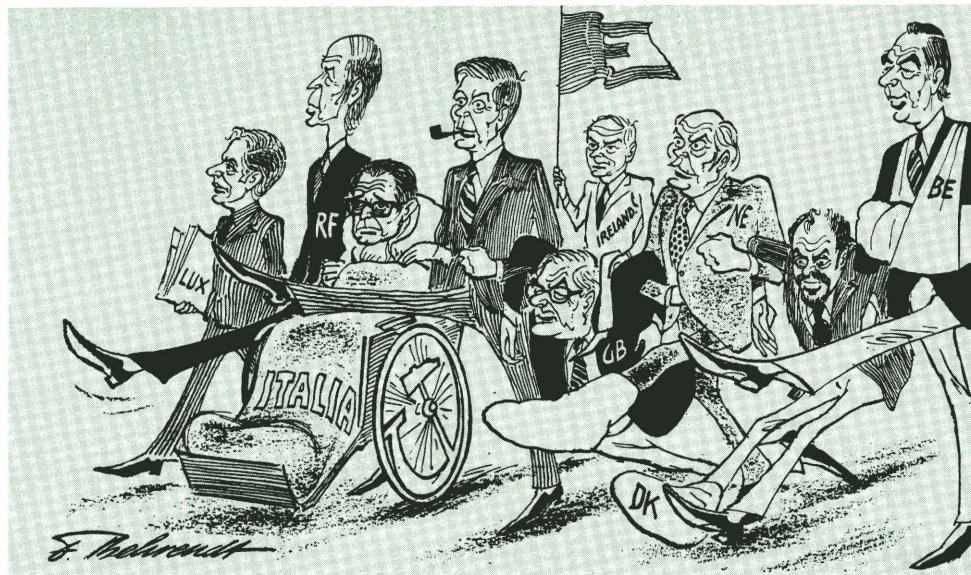
liner *Tageblatt*, called Herriot's speech a "declaration of measureless significance" and said the French Premier had moved the idea of European union from "the realm of speculation to that of practical politics."

In April 1925 Paul Painlevé replaced Herriot as Premier. A mathematician and Republican Socialist, Painlevé was as ardent a European as Herriot. His cabinet included Joseph Caillaux, Emile Borel, Anatole de Monzie, and Aristide Briand, all of whom had been actively associated with the European idea. In fact, it had already been said of Briand, who was the key figure in the new cabinet, that he had let "Europe go to his head."

Meanwhile in Germany only a few days after Marshal Paul von Hindenburg had been elected President of the Republic, the Reichstag gave the European idea a favorable airing. Johannes Bell, economist and member of the Center Party who had on several occasions in the past called for "European economic solidarity," argued that the states of Europe could not achieve economic health unless they joined in "an economic union whose frame was flexible and capable of growth."

By the time of the initialing of the Locarno Pact (October 16, 1925), a document which Briand labeled "the first concrete step for a United States of Europe," discussion of the pros and cons of some form of European organization was swelling into a "great debate." Belgian Minister Emile Vandervelde was widely quoted and applauded when he said: "Locarno is excellent, but what we really need to do now is to create a European customs union." Louis Loucheur, whose economic opinions were widely respected even in Germany, spearheaded a drive to get the League of Nations to schedule and plan a world economic conference on European problems. In the late autumn of 1925 the Council of the League scheduled such a conference for Geneva in the spring of 1927.

Europe's economists joined the debate arguing that Europe's economic ills were deeply rooted in national divisions. They said economic nationalism was a false formula because it was based on political frontiers instead of economic realities. They contended that economic conflict was the principal cause of war; that economic disarmament was a prerequisite for military disarmament, and that peace, prosperity, security, and economic well-being were interrelated and interdependent. And, they pointed out there would have to be a greater degree of security in Europe before effective economic rationalization would be possible.



"Europe on the move" Behrendt, *Her Parool*, Amsterdam

Francis Delaisi of France wrote: "Europe with its 200 million people must become a single market equal in dimension to the American market. Then its great economic potentialities, liberated from their shackles, will come to life." Wladimir Woytinsky of Germany wrote: "Without a customs union, and indeed without an economic union, the reconstruction of Europe is impossible."

Both men also talked about a European currency and a European system of social legislation. And both applauded economist Paul Goehre when he said: "The facts supporting a European economic union are so overwhelming that the arguments used against it do not deserve refutation." One of Coudenhove-Kalergi's favorite sayings during these months was: "If Europe will unite, it will become as peaceful as Switzerland and as prosperous as the United States." Many Europeans attributed America's high standard of living to its vast free market.

Events in the summer and autumn of 1926 had a significant bearing on the European movement. On September 10 Germany entered the League of Nations, bringing the Locarno Pact into operation. On September 26 the European Steel Pact was signed, an event which Vienna's *Neue Freie Presse* headlined as "the first major step toward Paneurope." And on October 3 the First Congress of the Paneuropean Union, which brought together more than a thousand leading spokesmen on the European idea, opened in Vienna. Francis Delaisi told the gathering that Europe's salvation lay in the establishment of a common market with a common currency. Nicholas Politis, Greece's celebrated statesman, said that a European federation would undergird the League of Nations rather than cripple it. The *Manchester Guardian* was so optimistic it said editorially: "The United States of Europe is no longer a dream; it has entered the world of reality."

EVEN THOUGH THE PANEUROPEAN UNION and the Committee for a European Customs Union were growing fast and preparations for the World Economic Conference were going smoothly, there were signs in the early spring of 1927 that Germany's entrance into the League of Nations and the operation of the Locarno Pact had not improved the international climate. The crux of the trouble was that the European movement had developed to the point where it was in confrontation with the forces of economic nationalism and protectionism. These forces were beginning to strike back.

When the World Economic Conference at Geneva opened May 4, 1927, most "good Europeans" felt the conference's final report would speak strongly for European economic integration. But when the conference turned to Europe's customs and tariff walls, nationalist and protectionist arguments flamed. Even the American delegates openly exerted pressures against any sort of European economic front. When the conference adjourned, it was clear that the governments of Europe were not yet ready to tamper with the framework of the nation-state or even to try to work out an economic union. It was equally clear that economics and politics were inseparable at this level. Moreover, the Preparatory Commission for the World Disarmament Conference was also deadlocked.

The more ardent leaders in the European movement realized they had expected too much too soon. They did not give up, however, and were strengthened by the conviction that they were right, that Europe was emerging, and that they were on the side of history and the future. From the summer of 1927 to the summer of 1930, the broad lines of the movement remained pretty much the same. Literature on the movement grew steadily and was voluminous by mid-1930. Perhaps the biggest change in emphasis was increasing stress

on the possible dangers of American economic power and of Russian political subversion.

Briand felt Germany held the key to a European community. He knew Britain would oppose a continental structure but felt that she would not cause serious trouble if Germany should decide to work with France in organizing Europe. He knew the situation in Germany was growing worse but believed there was a chance German opinion might commit itself to European solutions for most of the hard problems. He resolved to work as closely with Stresemann as possible, and move as fast as French opinion would permit to meet Germany's major revisionist demands, including evacuation of the Rhineland well before the date set in the Treaty of Versailles.

Working quickly after the signing of the Kellogg-Briand Pact on August 28, 1928, Briand presented the idea of a federal project before the foreign ministers of the European states at his famous luncheon in Geneva, "The Banquet of Europe," September 9, 1929. Arthur Henderson, Britain's foreign minister, made his country's position clear when he said that the difficulties should be "squarely faced" and that nothing should be undertaken that could damage the principle of national sovereignty, weaken the League of Nations, or alarm the United States. He said all future discussions of a European project

should be in the open. In the end the foreign ministers decided the French Government should be asked to draft a memorandum on a federal system for Europe. They also decided all the governments should study the memorandum and transmit their views to the French Foreign Office, which would then prepare a summary for discussion at the next ordinary session of the Assembly of the League.

Ardent Europeans applauded Briand for his faith and courage. Theodore Knappen wrote in *The Magazine of Wall Street*: "It cannot be doubted that the organization of a United States of Europe in an economic sense is now seriously undertaken . . . it behooves Americans to ponder seriously how such a union may affect their interests." Then on May 17, 1930, the French "Memorandum on the Organization of a System of Federal Union" was delivered to the governments of Europe. *Le Petit Parisien* declared: "Whatever may be the fate of the memorandum, Briand has shown Europe the road to a better future, and history will remember his courage and daring." *La République* put it this way: "But we must not lose hope. . . . It is inevitable that the European idea will do much floundering about. But its hour will come, and it will find its way, and it will become a living reality."

Even though nearly all Europeans thought the memorandum would soon be politely buried, there were vigorous attempts to

set it afloat in France and several smaller countries. Thousands of articles and editorials supporting it poured from the press, and many private organizations drafted resolutions in its behalf. But on September 17, 1930, three days after Hitler and his National Socialists had won more than 100 seats in the Reichstag, the Assembly of the League of Nations set the memorandum aside by providing for a "Commission of Inquiry for European Union" to work within the League. Although Briand, whose health was beginning to fail, struggled to make the new commission a vital European agency independent of the League, opposition was too determined. Early in 1932 Herriot took over for the dying Briand and allowed the commission to expire as honorably as possible.

The European movement had made an impression throughout Europe and receded reluctantly. The French Committee for a European Customs Union worked on faithfully long after all hope was gone. *PanEuropa* and *Les Etats-Unis de l'Europe*, which dated back to 1870, continued to appear and to proclaim the virtues of European unity until the eve of the Second World War. In 1941-42 during the deadliest hours of Europe's second great holocaust within a generation, the leaders of the Resistance Movement in France revived the European idea and started it on its way to the Council of Europe and to the European Communities.

US-European Relations

The French Exception

WILLIAM PFAFF, *American writer living in Paris*

The "national character" approach to understanding international relations, while not in current favor among academicians and policy-makers, remains at the very least provocative. The following example of this approach is reprinted with the permission of The New Yorker.

The American opinion of Europe has always had an edge of hostility, of repudiation. A fundamental purpose of America was to be the contra-Europe: post-European, a political society established as the successor to Europe. Thomas Jefferson said in his first Inaugural Address that we

citizens of the United States were "kindly separated by nature and a wide ocean from the exterminating havoc of one quarter of the globe; too high-minded to endure the degradations of the others; possessing a chosen country." In 1787, he had written in a letter from Paris, "Under pretence of governing, they have divided their nations into two classes, wolves and sheep. I do not exaggerate. This is a true picture of Europe." Europe's redemption was imaginable, but only through its emulation to us. We afforded, according to Jefferson, a "primitive and precious model of what is to change the condition of man over the globe."

As late as the 1970's, we have still found ourselves trying—now actively rather than as an isolated model—to instruct the Europeans in how to elect democratic parties, avoid Communism, avert wars, establish political cooperation. From at least the time of our wartime involvement with the Europeans in the 1940's, we have been impatient of Europe's past. Our resistance to de Gaulle as France's leader proceeded from the fact that he was a conservative and a nationalist, a military man who made use of a vocabulary of national tradition and glory. Roosevelt thought him simply a reactionary émigré politician. We embraced Jean Monnet after the war because

he had made it his mission to establish a "united states" in Europe. De Gaulle remained an archaic figure to the American press and to American policymakers until the day of his death. But then it is persistently the French who have been the main irritants in European-American relations. For 30 postwar years, our successes in Europe have been qualified or challenged by what might be called the French exception: French vetoes or withdrawals, French severity or French petulance, French national expedience of the kind that precipitously released an arrested Palestinian terrorist, the French compulsion (as we see it) to say no and to insist on purely national considerations—even to be governed by archaic figures.

The British, our great wartime allies, had conceded primacy to us by the time our contribution to the fighting overtook theirs; the Churchillian rationalization was that postwar Britain could play Greece to America's Rome. This really never happened, but it proved to make no great difference. For defeated Germany and the smaller countries of Northern Europe, our policies after the war were welcome, and relations became easy, helped by the fact that America as a society and a culture is predominantly the product of Protestant Europe. If an American is to feel at home anywhere in Continental Europe, it is likely to be among the Dutch or the Danes, or—with wartime recollections lapsed and the Germans become our allies—among the Germans. More of us are German or part German in origin than spring from any other nationality except British, and Germany has also been the major and much admired influence on American education and scholarship since the late nineteenth century. We are able easily to see the Germans, with the British and the other Protestant or ex-Protestant Northern Europeans, as people recognizably like us. Since the war, we have got on well with them—while they, in turn, have said yes to nearly everything we have proposed.

With the Catholic Latin Europeans, and most of all with the French, it could not be the same. For Americans, as for the Protestant Northern Europeans, Latin civilization has undeniably been seductive, but it has also been disturbing, containing alternative values and affirming certain aspects of life that we have chosen to repress. There is a tension between us that is an accompaniment to the attraction we feel to this alternative way of life—"that yearning," as Kenneth Clark puts it in his autobiography, "for the long tradition of Medi-

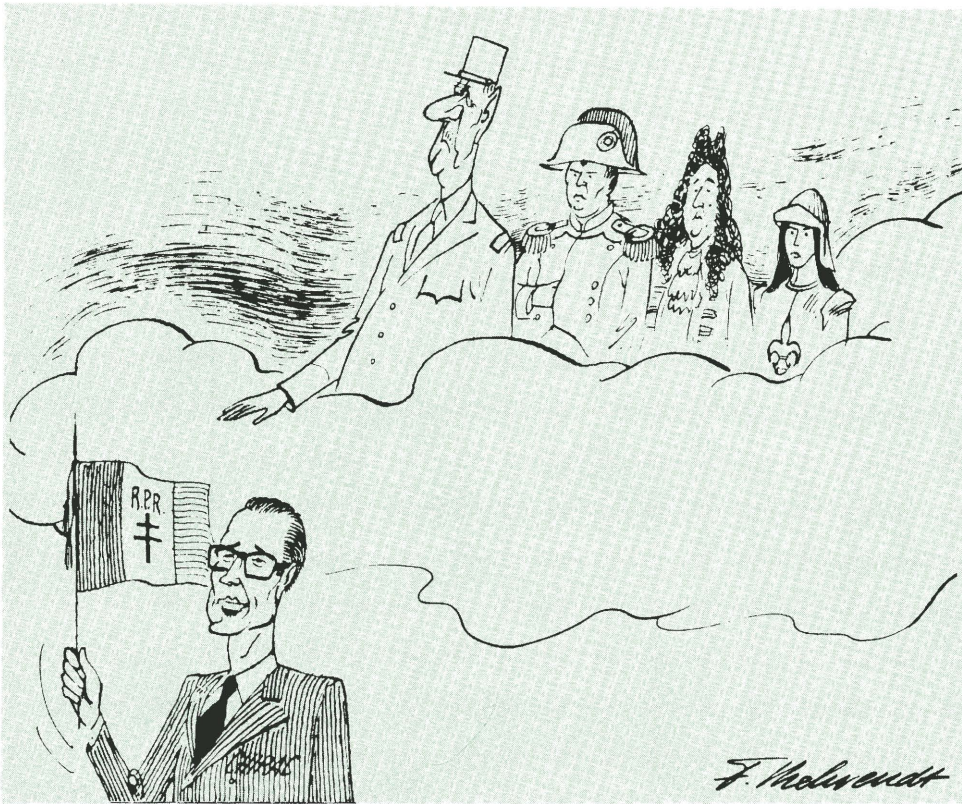
terranean life, unbroken, in spite of disasters, for over 2,000 years, that has fascinated Northern man since Goethe." One method by which we have been able to reassure ourselves as to the validity of our own values and ways of life, as these have seemed challenged by the sensuality and continuity of the South, has been to regard the virtues of Latin civilization as paid for by political and technological failure or backwardness. We like to see Latin Europe as politically incompetent, plagued by dictators, divided by class struggle. We think that Latin Europe is not very good at practical and modern things. Much of it certainly remains agricultural—poor by comparison with the North, with weaker economic structures. Communism is strong there. Only in the Latin part of Western Europe are there major Communist Parties, with important followings and a real effect upon national life. If these people were genuinely democratic and politically competent, we argue, the Communist Parties would wither away. And, while we are willing to concede a warmth of human relations in the South, an acceptance of sensuality denied the Protestant and ex-Protestant North, and a powerful aesthetic and artistic tradition, we reassure ourselves that the Latins pay heavily for all this by backwardness in important things that define modern life. We also usually take it for granted that if they were to develop strong democratic government and a progressive technology, they would lose precisely those "Latin" qualities we now envy. It would be too much if they were to possess an acceptance of sensuality and the atomic bomb, too.

And this, of course, is another reason the French are an exception. They have a nuclear arsenal, and, what's more, it is their very own, since we would not give them any help, believing it unsuitable that they become a nuclear power. They also have five nuclear submarines of their own design, long-range nuclear missiles, the world's first operational breeder-reactor power plant, and the Concorde. Their economy is rich and dynamic, and, if the Vichy years are set aside, the country has possessed republican government—popular rule, turbulent but uninterrupted—for more than a century, since 1871.

An Englishwoman in Nancy Mitford's 1960 novel, *Don't Tell Alfred*, says of France, "Have you ever noticed it's just those very things the English pride themselves on most which are better here? Trains: more punctual; tweeds: more pretty; football: the French always win. Doctors:

can't be compared, nobody ever dies here until they are a hundred. . . . The post, the roads, the police—France is far better administered." The British Ambassador's wife replies, "It isn't fair. You've got these things all ready to trot out, and I suppose facts and figures to bolster them up if I begin to query them. Before I see you next I shall do a bit of prep, but for the moment my mind is a blank." This is exactly our problem with the French. They implacably refuse to be backward, "Latin," or patronized. They insistently go their own way, very competently, being rude about it more often than not, evoking impatience, scorn, and sometimes fury from Americans—and from most other Europeans, to whom French intransigence has seemed selfish and often senselessly destructive of European cooperation with the United States. The French, in any case, have never been popular in Europe, however admired for their intelligence, their style of life, their painting and writing, their good food, the celebrated chic and beauty of their women. "Happy as God in France" was a German expression in the nineteenth century, but that did not mean that the Germans much liked the French. They are not altogether likable people. They themselves hardly notice this, since they do not notice a great deal of what goes on outside France.

AT THE TIME OF PRESIDENT GISCARD D'ESTAING'S Bicentennial visit to the United States last spring, the French were awakened to one part of their reputation abroad. The French Government made known the results of a poll that it had conducted in the United States by the Harris organization. Both a cross-section of all Americans and an elite group of American officials, businessmen, and journalists had been interviewed. Of the cross-section of all Americans, only 34 per cent were of the opinion that France had played an important role in the American War of Independence. Only 14 per cent of the general group and 27 per cent of the elite subsample realized that France today has a national economy larger than Britain's. (It is nearly half again as large.) Only 62 per cent of the elite group and 29 per cent of the general sample thought France a more important economic force in the world than Canada. (France has twice as large an economy as Canada's. According to the latest World Bank figures, France's gross national product is almost half that of the Soviet Union, with a per capita income for the Frenchman two and a quarter times as large as that for the Russian.) The Concorde and the Mirage have made their im-



"Still hope for gloire et grandeur. . . ." Behrendt, *Het Parool*, Amsterdam

pact, and half the general group and 86 per cent of the elite recognized that France has an advanced aerospace industry, while 60 per cent of the elite and 36 per cent of the general group knew that France has an advanced nuclear industry. But what came as a considerable shock to the French is that only 35 per cent of the sample of the American population as a whole and only half of the elite group said that they thought of France as an ally of the United States.

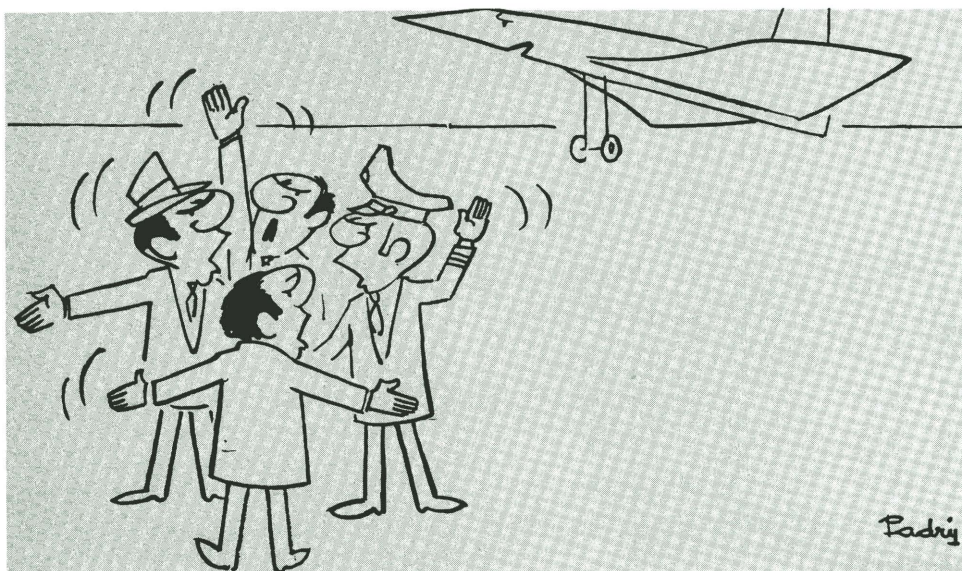
At the same time, a French news magazine, *Le Point*, published the results of a poll it had commissioned to find out what the French know and think about the United States. One piquant social datum which emerged is that what the French most disapprove about life in the United States—by 58 per cent, one of the biggest percentages obtained in the whole poll—is that Americans don't eat fresh food. They also consider us lacking in family spirit, and only 12 per cent offered a positive judgment of human relations in the United States. The poll also asked if the United States sets the world a good example of the capitalist system. Twenty-eight per cent of the French said yes, while 31 per cent said that we set a bad example. (The rest, as in the responses to follow, did not express an opinion). Are we a good example of the functioning of democracy? Twenty-nine per cent said yes; 35 per cent said no. Of justice? Twenty-seven per cent said we are a good example, 32 per cent said bad. Of our abil-

ities to reduce social inequities, a quarter said we give a good example, and 42 per cent said a bad one. Are we an example of sound evolution toward a new form of human society? Less than a quarter of the French thought we were, and 37 per cent thought we were not. On educating children, 17 per cent saw in us a good example, and 45 per cent a bad one. We did get a favorable judgment from the French on our scientific research, our employment of technology to make life easier, our example of equality between men and women, and our effort to control pollution of the environment. But of the French who were asked if they have confidence in the capacity of the United States for dealing reasonably with the problems of the contemporary world only a third said yes, while 58 per cent said that they have no such confidence in us.

But a low opinion of American political competence and of "the American way of life" is nothing new among Europeans. It does not mean a condemnation of our society as a whole—which, in fact, has deeply affected the French, from our Revolution, which forecast their own (with Tom Paine and Benjamin Franklin lionized in Paris), to the present day, when American novels, music, and popular culture exercise a powerful influence upon the French imagination. Moreover, the ordinary Frenchman knows what has happened in modern history. At exactly the same time that the *Le Point* poll was being circulated, one of the

most popular songs on French radio and television and in record sales was Michel Sardou's "Les Ricains." This song tells of an American, from Georgia, who died on Normandy Beach. He cared nothing for the French, the song says, but if he hadn't come to France and given his life "we'd all be in Germany today, saying I don't know what, saluting I don't know who." It is also true that every Armistice Day, our Embassy, the American clubs in Paris, and the American Legion Post are pressed to send Americans to village ceremonies to receive again, decades after, the thanks of the ordinary French for our support in two World Wars. It seems fair to say that the French today are less troubled by American politics, which they understand to be a matter of change and evolution, than by the example of our culture and society, which has always been an important influence on them but which they insist upon seeing as distinct and alternative to their own. Thus while other Europeans since the Second World War mostly have been content to accept America at the evaluation we ourselves are inclined to set—as the "post-modern" society, model for the world, or social laboratory for mankind—the French insist upon the relevance and validity of their own model, their own definition of what the future will be.

And here, of course, is the ultimate source of tension between us. One civilization that has been expanding, confident of its missionary significance to the world, confronts one that has been introverted, morally and intellectually self-sufficient. A civilization for which optimism has been a historical necessity confronts a civilization of quite remarkable pessimism. It often seems, of course, that this pessimism is deliberately cultivated, a precautionary device that actually conceals a passionate sense of national destiny. An important new book just published in Paris, *Le Mal Français*, by Alain Peyrefitte, a former government minister, ostensibly presents a bleak recounting of all that is wrong with France. But it does so only to recall the French to "their strange vocation to be exemplary"—to create a new humanism, affording to France a moral leadership it before possessed in the Crusades and the Revolution. Thus the public pessimism of French life and the gloom with which the French discuss their affairs and prospects are often highly misleading to foreign observers, proving to have remarkably little effect on the decisions taken in professional and public life. The French do not *act* as if things will go badly; they act as if things must be made to go well, even



"The United States is making more noise than the plane does!" Padry, *Le Herrison*, Paris

while they declare to the world that things will turn out badly. This is an aspect of the "realism" of the French. Anyone who does not say that he expects the worst risks being thought a victim of illusion, innocent of experience.

The optimism of Americans has always disturbed the French. It bothers them, but it also attracts them. They feel an envy of it even while they mock and distrust it. They have also secretly wondered whether this American optimism might not, after all, be justified. American society has somehow appeared to be exempt from the restrictions that are the fate of other societies. To the French, the material evidence seems impressive. French shopkeepers and housewives of an age to remember will still tell Americans what it was like when our Army arrived—"bringing absolutely everything, a whole world, along with it." Americans are optimists, they would say, because with such riches—riches to squander in wild generosity or to waste—what bad could happen to America? France in 1944 was still more agricultural than industrial, and after years of occupation, war, rationing, and substitutions it undoubtedly seemed even poorer than it really was. And now here were all these tall, rosy-cheeked, milk-drinking GI's, trucking hot showers, orange juice, movies, unlimited chocolate and cigarettes, Betty Grable and Marlene Dietrich along with them as they swept across the country. To the French, as to most other Europeans who saw them, they seemed a force of nature—a new kind of man, from a new kind of country, from a new world, or possibly not from this world at all.

WHAT WAS NOT EVIDENT TO EUROPEANS in such a meeting with a mechanized America was the darkness in our own perception

of ourselves, our vulnerability to a sense of national incompleteness as we constantly change our lives, our lack of inner security when our optimism begins to seem unfounded or betrayed. Scott Fitzgerald once wrote of "frontier mothers who had to croon falsely that there were no wolves outside the cabin door." Our optimism is perhaps a necessary compensation for a pervasive insecurity, which derives from the physical and economic origins of American society—first on the frontier and then in immigrant life in cities. Hardly suspected in Europe is the profound and sometimes anarchic pessimism that this insecurity can inspire in us.

Europeans, and particularly the French, have never been troubled by this kind of doubt. The French have admired American power, our confidence, and even, perhaps grudgingly, our world leadership. But they have always believed that in important respects they live better lives than we do. They believe that as a civilization they count in the world—possibly more than we do. They believe in their "strange vocation." The confidence of the French in the power and importance of their own high culture has never been shaken. Unlike the British—and certainly unlike the Germans, still haunted by the barbarism that erupted within their culture—the French have since the war felt no fundamental doubts about their manner of thought and of life, or about the way they educate their children. However divided they are by politics and ideology, or haunted by the memories of 1940 and Vichy, or skeptical about the future of a Europe overshadowed by America and Russia, they have not doubted the ends to which their social institutions are devoted. They are intensely critical of their national

behavior but not of their values. There is no hesitation over the relentless emphasis in French schools upon mathematics and clarity of expression, the severe demands made upon children—whether they are in the lycée preparing for the university or professional schools or in one of the craft, technical, or commercial programs. The French would say that the realism of their culture is expressed exactly in an unhesitating acknowledgment of a hierarchy of intelligence and ability as well as of accomplishment. In his famous study *Village in the Vaucluse*, Laurence Wylie writes, "It took time for me to become accustomed to the honest, objective manner in which parents openly appraised the intelligence of their children. They recognize the fact that some people are more intelligent than others, and since it is a fact, it must be recognized, faced, and accepted like all other facts. They see no point in hiding it, or denying it, or even in minimizing it. One cannot hide what is perfectly evident to everyone, and little purpose would be served by minimizing it. It is better to accept such facts as they exist and to try to make the most of them. Consequently, parents, teachers, and children discuss differences in intelligence with relative frankness. When a parent says, 'My child is not so intelligent as yours,' he is not fishing for a compliment; he is stating a fact." To most Americans, an intensely selective school system, whose examinations can settle the fate of a child at an early age, may seem both ruthless and reactionary. But to the French, the American hostility to anything that formally acknowledges or ratifies a hierarchy of natural intelligence or talent seems a matter of colossal sentimentality and inability to face facts. The difference in national outlook is basic.

But we Americans are different from everyone else in the world—except the Canadians, and we are more different from the Canadians than we often think. The whole point of being American is that we are unique. This, however, is exactly what the French think about themselves. We Americans look upon our differences from the rest of the world as progressive and normative—at the leading edge of a development in liberty, where others must follow. The French see themselves as exclusive, a fixed civilization, a unity, always apart from the rest—but also exemplary. We and the French will always feel a tension between us. Our rivalry has little to do with politics. It is a moral rivalry.

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The economics of Tourism statistics

US travel dollar balance still runs a deficit

ANDREA MACLEOD, *Boston-based British freelance writer who formerly reported from Brussels*

FINDING A FREE GLASS OF ICE WATER IN CONTINENTAL Europe can be as difficult as tracking down an American hotel that accepts foreign currency or European travelers' checks. And the cost of a soft drink served in restaurants in most of the European Community member states—now at least \$1.00, value-added tax and service included—is a sizable chunk of the estimated average \$24 daily allowance Americans take with them to Europe. The rise in the cost of living in Europe, coupled with the dollar's loss of ground, explains in part why spending by American visitors in Europe has increased since 1973, whereas the number of Americans taking a holiday abroad has gradually declined. According to figures collected by the Organization for Economic Cooperation and Development (OECD), the number of American tourists in Europe dropped by as much as 20 per cent between 1973 and 1975, while during the same period total expenditure rose by 7 per cent. This year the US Department of Commerce predicts that although some 23.5 million Americans will travel outside the United States (an increase of 3 per cent compared with 1975), expenditure could rise by 10 per cent, to a total of \$10.4 billion.

The travel dollar balance—or the difference between the amounts international visitors spend in the United States and what Americans spend abroad—has been running at a deficit of around \$3 billion since 1972. Bicentennial year saw a short-term reversal of this trend, with the deficit narrowing to the \$2.7 billion mark. But forecasts for 1977 point to another 13 per cent deficit increase, due largely to the higher fares US citizens pay to foreign carriers for transportation. Very few detailed travel statistics are available yet for 1976—by present methods of statistic compilation, it takes as long as two years to build a complete pattern of travel behavior for a 12-month period. But in 1975 the OECD had already reported that international tourism was making a more rapid recovery from the oil crisis and subsequent recession than other sectors of the economy, and was expected to soon reach the all-time records of 1973. Figures for the early part of 1976 show North Atlantic air routes were

being heavily used in both directions, with 11 per cent increases in traffic on scheduled services and as much as a 30 per cent increase on chartered flights.

As far as foreign tourist movements in the United States were concerned, Bicentennial year broke all records. The United States Travel Service (USTS) claims that no fewer than 17.5 million international visitors arrived in the United States, with many of the gains recorded on the West European travel markets. Tourists from the United Kingdom and Germany both increased by 2 per cent, from France by 38 per cent, and from Belgium by 43 per cent. The USTS forecasts 18.4 million arrivals in 1977, but the extra volume is expected to come from Canada and Japan, with a relative fall-off of Mexican and European tourists. Projections include: the United Kingdom, 600,000 visitors; Germany, 430,000; France, 250,000. Estimated US receipts from all international travelers totaled \$6.7 billion in 1976, an 18 per cent increase over 1975. Surprisingly, European tourists in the United States only stayed an average of seven days, whereas the average American holiday in Europe in 1975 was 24 days long. Per capita spending by overseas visitors was about \$535; 14 per cent of them traveled on business visas, and Europeans confined their journeys almost exclusively to the East Coast.

LAST YEAR'S RESOUNDING SUCCESS for international travel to the United States was due less to organized promotion than to increased opportunities for inexpensive travel, exchanges, and entertainment offered by the Bicentennial. As a spokesman for the Bicentennial Administration said, "It gave everyone a deadline. People overseas had a special reason for coming over, and local communities, cities, and states knew that their projects had to be finished by 1976." Some of those projects were not actually completed, but Bicentennial programs will continue for a long time to come.

The Bicentennial Administration, which went to work in 1969, served to coordinate rather than direct activities. It distributed a mere fraction of the money devoted to Bicentennial programs—about \$74 million in grants.

Over 2,000 parks were created, histories of every town and village traced and published, art work commissioned, and better facilities for tourists built. For the first time, international visitors were catered to: Tourist guides were translated into French, Spanish, German, and Japanese; interpreting services were made available in cities like Philadelphia and Washington and at major airports; multilingual sign posts were set up in Boston; international visitors' centers created.

The Bicentennial was instrumental in making people aware of the potential value of international tourism, but the infrastructure is still inadequate for taking advantage of the expanding market. In 1974 Senator Daniel Inouye

to negotiate air fares, for instance; this is an integral part of travel promotion." Even in the information field, the USTS shares its work with the United States Information Agency. The USTS promotion budget for 1975 was only \$8 million.

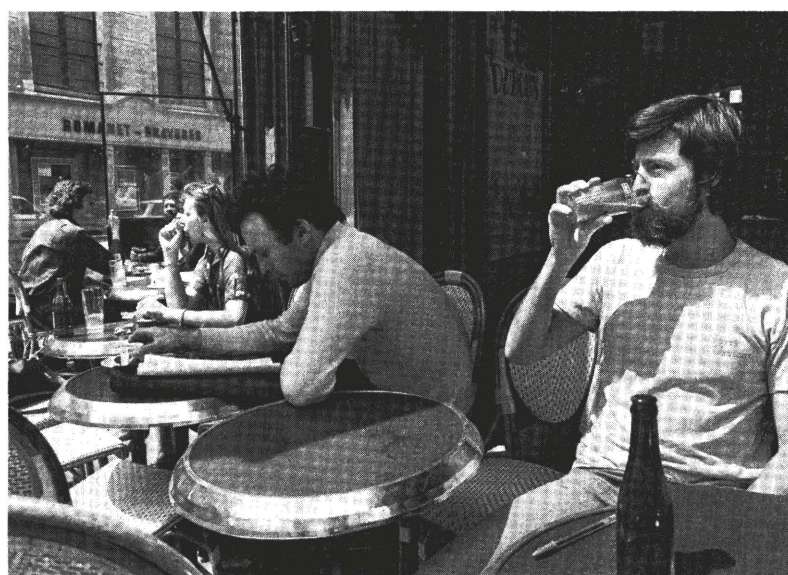
In 1968 the McKinney Commission recommended a series of measures, including reduced round-trip air fares for families, medical insurance, discounts in shops, and more airline advertisements, to boost foreign travel in the United States and reduce the travel deficit. None of these suggestions was followed up. Eight years later the Senate Committee on National Tourism Policy, chaired by Inouye, was set up as a response to the findings of the



An American tourist takes a break from the festival in Avignon, France. She is one of a declining number of Americans taking a holiday abroad, although spending by American visitors in Europe has increased since 1973. © Henri Cartier-Bresson, Magnum

of Hawaii reported from the National Tourism Resources Review Commission that tourism was among the top three industries in 46 of the 50 states, and that by 1980 tourism spending in the United States, both domestic and foreign, would total \$127 billion. And yet there is no national tourism policy nor an agency to handle the needs of the tourism business and its 4 million employees. At present there are as many as 50 federal agencies dealing with roughly 100 separate tourism-related programs, many of which overlap and even conflict. Two states, Maine and California, do not have state tourist offices.

The first major innovation was in 1961, when the USTS was set up to promote the United States as an international travel destination. It has main offices in Canada, Japan, Mexico, the United Kingdom, Germany, and France. In 1975 extra promotion was launched in Belgium, Italy, and the Netherlands. But, as one of Senator Inouye's aides pointed out recently, "The trouble is, the USTS isn't empowered to properly represent the interests of US tourism at international meetings. It should be able



The cost of a soft drink or beer served in most EC member countries "is a sizable chunk of the estimated average \$24 daily allowance Americans take with them to Europe."

© JP Paireault, Magnum

Resources Review Commission. The Government expects the outlines of a tourist policy to be ready by the end of this year, and could therefore be adopted by 1979.

In comparison, European Community member countries have well-developed and highly successful national tourist policies, even though there is virtually no Community-wide coordination. OECD figures show that Italy, with 62.8 million arrivals in 1975, is the most popular EC holiday destination. Worldwide, it is second only to Spain, and on a par with Scandinavia. Many EC countries—France, Italy, Denmark, and the United Kingdom—had a healthy travel balance in 1975. The United Kingdom had a credit of \$137 million during the first three months of 1976. The British Government has recognized the importance of tourism to the balance of payments and to regional economies by developing new tourist areas and promoting travel outside peak seasons.

TRAVEL BY NATIONALS OF THE SMALLER EC COUNTRIES can often result in a dramatic, if short-term, effect on their

currency exchange rates. The official holiday period in Belgium runs from the beginning of May to the end of September, and most big businesses close down completely in July. During this four-month vacation season, well over half the country's 9 million inhabitants travel abroad, and foreign currency earnings do not match what Belgians spend abroad.

Appreciation of the German mark has enabled an ever increasing number of Germans to holiday abroad. The OECD rates Germany as generating the highest number of foreign tourists, far beyond the United States, France, and the United Kingdom. In the OECD European member countries, German tourists increased by 9 per cent, and total German tourist expenditure of \$8.5 billion was up by 21 per cent in 1975. High prices in Germany have discouraged many tourists from holidaying there or even traveling through en route to Italy, Switzerland, and Austria, so the tourists deficit has grown by leaps and bounds, reaching the \$5.7 billion mark in 1975.

National tourist policies in the European Community

This Corsican resort no longer has only American tourists, since "traveling inside the Community has been made easier for EC nationals as an indirect result of the customs union."

© Henri Cartier-Bresson, Magnum



have centered in recent years on the regional impact of tourism, and the importance of its social and environmental aspects. Last year, the Irish Tourist Board published a five-year plan based on regard for environmental protection, product policy, and the designation of 90 tourist zones to receive a total of 50 million pounds. The Scottish and Welsh Tourist Boards have both drawn up plans for future tourism development, while the Government of Luxembourg is carrying out its own five-year infrastructure investment program. The EC Commission has even decided to grant money from the Regional Development Fund to about a dozen tourist-related projects in the peripheral regions of the Community.

Traveling inside the Community has been made easier for EC nationals as an indirect result of the customs union. Formalities at frontiers have slackened, and at one point on the Belgian-Dutch border, private motorists are allowed to ride through the customs post at 60 kilometers per hour. Car insurance papers no longer have to be shown, passports are rarely checked, and once the EC passport is finally adopted, intra-Community traffic should flow even more smoothly. All is not as it might be, though: Speed restrictions since the energy crisis vary considerably from country to country (100 kilometers per hour in the Netherlands, 120 kilometers per hour in Belgium, and a mixed system of recommended and compulsory speeds in Germany); driving licenses have not been harmonized; and sign posts are not multilingual.

Back in the days of the EC "Six," Belgian Minister of Tourism and Communications Pierre Bertrand initiated a Community meeting of top tourist officials to identify some of the tourist industry's most pressing needs. Among the resulting proposals were the harmonization of school and industrial holidays, fewer frontier formalities, uniform sign posting, a common rating system for accommodation, and the possibility of promoting the Community as a destination distinct from the rest of Europe. The following year in 1971, one of the members of the Commission, Altiero Spinelli, was officially made responsible for tourism. But since then all the plans have come to virtually nothing.

Last year the question of Community-wide consultation again came to light when touring associations and automobile clubs in the "Nine" decided to form the Office of International Touring Alliance members in the Community. They would like to see European norms imposed for technical specifications for motor vehicles, and traffic problems dealt with on a Community scale.

In the meantime, international travelers, European and American alike, in both the United States and Europe, will continue to fend for themselves, making do with sign language, putting up with ruthless customs officials, getting short-changed, and losing the way. But after all, if traveling abroad were easy, who would do it?



The crew for the "Sail for Europe" entry in the round-the-world yacht race was picked throughout the summer from European races and regattas. © Leonard Freed, Magnum

"Sail for Europe"

PATRICIA COLMANT, EC correspondent for the Belgian daily newspaper *Le Soir*

Last year I had a crazy idea: to enter a boat in the next round-the-world yacht race with a European crew to represent the European Community. At the time I had no boat, no money, and no support. It was just a fanciful idea. Now, in the summer of 1977, the idea is on the brink of success.

The round-the-world yacht race starts in Portsmouth, England, August 27 under the aegis of British brewers Whitbread. It is one of the toughest challenges in sports, as competitors have to sail through some of the roughest seas in the world. Some 20 boats will be skippered by experts such as France's Eric Tabarly and Britain's Chay Blyth. The race is in four stages: Portsmouth to Capetown, South Africa; Capetown to Auckland, New Zealand; Auckland to Rio de Janeiro, Brazil, and Rio de Janeiro back to Portsmouth. It is expected to last about eight months.

Together with a group of young people from all over Europe, I worked to find support, money, and crew for this ambitious venture. To run the organization, a nonprofit-making association based in Brussels called "Sail for Europe" was created in September 1976. The first task was to get support from Europe's top political figures and this proved fairly easy. Enthusiastic Europeans (and sailors) in the capitals of the "Nine" quickly warmed to the idea. Among those who agreed to back the project were: Belgian Prime Minister Leo Tindemans, Luxembourg Prime Minister Gaston Thorn,

EC Commission President Roy Jenkins, German Finance Minister Hans Apel, French Interior Minister Christian Bonnet, EC Commissioner Claude Cheysson, former European Parliament President Georges Spénale, former EC Commissioner Carlo Scarascia Mugnozza, and European Parliament President Emilio Colombo.

The next job was to find a boat. Sail for Europe could have chosen the cheapest boat available, but we decided that if the project was worth doing, it should be done with the aim of winning and not merely taking part. So we chose a tough, competitive boat, *Pinta*, designed by Sparkman and Stephens of New York and built by the Dutch firm W. Huisman of Vollenhove, a shipyard of worldwide renown. *Pinta* was meticulously engineered to ensure that she would benefit as much as possible from the handicapping rules of the race. She was renamed *Treaty of Rome* to commemorate the treaty which created the European Economic Community, and officially launched in April 1977.

However, finding political support and a good boat were much easier than raising the financing needed for the trip. Sail for Europe wanted up to \$350,000 to cover the cost of the boat and of taking part in the race. A few companies were prepared to meet all the costs in return for exclusive commercial publicity during the competition. But Sail for Europe agreed such a deal would contradict the purpose of the voyage, which was to promote the notion of Europeans from dif-

ferent countries working together. It was, therefore, decided to seek widespread support.

Sail for Europe was not just a group that wanted to share the thrill of sailing around the world. The object of the enterprise was to show the appeal of European unity in a new, unbureaucratic, and imaginative way. As one team member put it, "A televised broadcast of a European boat in the final stages of the grueling round-the-world race is likely to have a far more positive impact on the public than a dry, hour-long lecture on the virtues of monetary integration."

The project has been the subject of a flood of articles in European newspapers and was featured on many television and radio programs. At a time when so much of the news in European politics and economics has been depressing, this has made for a refreshing change. Perhaps even more important is the fact that the project was not a government idea but had sprung from young people with no official positions, a common love of sailing, and a belief in a united Europe. EC Commissioner Cheysson said, "The whole concept will raise European opinion out of its present sluggishness and commercialism."

The crew is not made up of professional sailors, except for the skipper, who is 28-year-old Philippe Hanin from Belgium. He was captain of *Colombe III* during the Atlantic triangle race (Saint Malo, France, to Capetown to Rio de Janeiro to Portsmouth) in 1975. Throughout the summer Sail for Europe held trials to choose the final crew in races and regattas in Holland, Belgium, England, and France. The plan is to change the crew for each of the four legs of the race, although Hanin and perhaps three others will be permanent members. This will give more people and countries the opportunity to take part. There was no shortage of applications from every country, including tiny, landlocked Luxembourg, with over 200 from throughout the Nine.

The timing of the race could hardly be better. It is, of course, the Community's twentieth anniversary, and 1978, when the race ends, should also be the year of the first direct elections to the European Parliament. This gives twin reasons for the voyage. Life on board symbolizes Community life in a simple and obvious way, and the *Treaty of Rome* is the first boat ever to fly the EC flag. I think this effort will show that not all young people in Europe are cynical about the European ideal, and it will prove Europe is not just about economics and trade. It is also about how we live and work together. After the race we hope the boat will be used for training purposes so that the idea of a Community afloat will not end when the boat reaches Portsmouth.

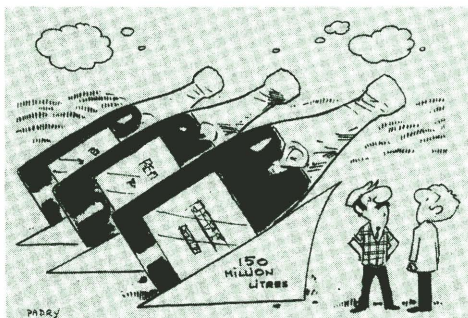
around THE capitals

Paris

Following years of secrecy based on a sense of inferiority, the French military has unveiled its strategic nuclear forces to the foreign public for the first time—by taking a group of newsmen on a three-day trip through the nuclear submarine base near Brest and the land-to-land missile site on the Plateau d'Albion in the foothills of the Alps. It was an impressive show. The *force de frappe* is small compared with the superpowers, to be sure, but it is ready. And if one can live with the French notion of dissuasion, which is the ability to inflict “unacceptable damage” on an enemy, to “rip off his arm,” as de Gaulle used to describe it, it is probably adequate.

France's force, which the French say is more credible than Britain's because it is independent of the United States, is three-pronged. It consists of four nuclear subs and a fifth to come, each with 16 one-megaton, single-head missiles, 18 more missiles buried in well-protected silos over a 40-square-kilometer region of the Plateau d'Albion, and 40 Mirage IV bombers carrying a single bomb. It took the French 16 years to decide that the *force de dissuasion*, as it is technically called, was ready for inspection by foreign newsmen. But today, with \$25 billion spent so far in its development, they have achieved something they believe makes France invulnerable to nuclear attack: No adversary, said the military men who accompanied the 37 newsmen on the trip, would risk the damage France could inflict in retaliation.

It was interesting to note the Soviet attitude toward the visit, which included stops



“... And the Americans and Russians think they're the only ones with intercontinental missiles!” Padry, *Le Herisson*, Paris

at Ile Longue, near Brest, base of the nuclear subs; Orange, home of part of the Mirage IV fleet, and St-Christol on the Plateau d'Albion. The Russians, like the Chinese, were invited to send two journalists. They retaliated by asking to send a delegation of 15, including officials, and added that other Warsaw Pact nations should also be included. The French decided that the Russians, by imposing impossible conditions, were trying to wiggle out of a dilemma: Under reciprocity provisions of the Helsinki Security Conference Final Act, they would have been required to invite foreign journalists to visit Russian military installations, something they have never done. The French maintained their two invitations, which the Russians refused.

It was a highly profitable trip for the newsmen, including the two Chinese, who took voluminous notes on everything—dimensions, brand names, and other information that would hardly belong in a news story. It was a first-hand chance to see the silent gray subs that cruise un surfaced for 60 days at a time, seldom making communications contact, waiting for a single signal that will certainly never come.

The strategic site on the Plateau d'Albion is unique. Because of their reduced number of land-to-land missiles (18, with plans eventually for 27), the French have taken herculean steps to protect them, including 150-ton covers for the silos and command posts buried over a mile into the centers of two separate mountains. “Too much has been written about our alleged vulnerability,” said General Elie Humbert, base commander. He claims it would take several hundred near-direct one-megaton hits to destroy the French fleet, which he says is simply “not a serious” possibility.

The French have now accomplished the Gaullist goal of nuclear invulnerability, they believe, and done it without US help. They even believe that the French force, along with the British, might become the backbone of a West European force one day, if the United States ever eliminated its presence in Europe. But since nobody regards that day as near, the *force de frappe* remains what it showed itself to be during the newsmen's visit: an expensive, technically impressive, independent, if largely irrelevant, nuclear force. —JAMES O. GOLDSBOROUGH

The Hague

The burdens of post-colonialism have never daunted the Dutch. When Holland's far-flung, oceanic empire was dismantled after World War II, the country welcomed hordes of poor immigrants from the impoverished Pacific and Caribbean lands. Many of them were quickly assimilated into the thrifty, stolid society; mixed marriages became commonplace; decent jobs and housing were readily available. But one ethnic group never fit into the Netherlands' postwar cultural mosaic—the South Moluccans, a proud people obsessed with the dream of resurrecting a free republic in their cluster of islands at the southern tip of Indonesia. When twin bands of young South Moluccan gunmen seized more than 160 hostages in a school and train in northern Holland this May, they again riveted world attention on their quixotic struggle. Eighteen months earlier, Moluccan youths had hijacked a train near Beilen and occupied the Indonesian consulate in Amsterdam—demanding freedom for a homeland most of them have never seen.

After proclaiming their own republic in April 1950, most Moluccans were forced to flee to the Netherlands when Sukarno incorporated 16 diverse states into the Republic of Indonesia. Moluccan troops, loyal to the Dutch throne during the independence wars, arrived in Holland with little but their soldiering talents. They settled down in Dutch factory jobs but resisted integration, unlike most new immigrants, and inculcated a fierce sense of nationalism in their offspring. Torn between the strict patriarchal life at home and the liberal mores of Dutch life, second generation Moluccans have vented their frustrated urge to hearken to their roots. They realize that unless their desperate crusade to form a Moluccan Republic reaches fruition soon, their own children might surrender the dream and melt into Dutch society.

Until now, the Dutch have remained relatively nonplussed with the radical methods employed by Moluccan youths to dramatize their plight. The seizure of 105 schoolchildren, however, (released after four days in unhygienic conditions when the specter of an infectious disease swept the captive classroom) pushed their tolerance beyond the

limits of patient perplexity. Nasty threats of reprisals against the Moluccan community began to surface, evoking the ugly prospect of racial warfare. As soon as the siege began, police sealed off Moluccan neighborhoods in the village of Bovensmilde, the site of the primary school attacked by the young terrorists.

Moluccan radicals admit their cause would be served more effectively if they engaged in guerilla warfare in their homeland rather than in their state of exile half a globe away. But at the same time, they roundly condemn what they perceive as Dutch collaboration with oil-rich Indonesia. In their initial list of demands, the gunmen asked the Netherlands to sever all economic ties with Jakarta. Having conceded administrative control nearly three decades ago, Holland can do little now to alter its colonial legacy. That reluctant conclusion has exacerbated the fury of Moluccan nationalists, to the distress of their innocent victims.

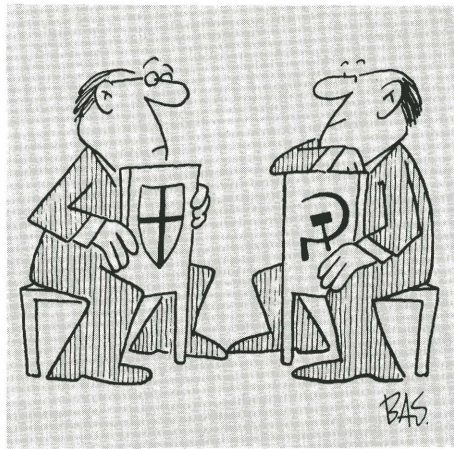
—WILLIAM DROZDIK

Rome

The latest episode in the Italian political story—which features a barely dominant Christian Democratic Party in a minority Government, supported indirectly by its former opposition, the Communists—has been labeled the “programmatic agreement.” It refers to a Government program, thrashed out in advance among the various parties at the negotiating table, that would be committed to dealing with specific problems in a certain way.

For the Christian Democrats, such an agreement would relieve some of the insecurity inherent to minority rule. The party has only slightly more than one-third of the total votes in Parliament, and counts on the abstention of the Communist Party to be able to govern effectively. The Communists, who represent another third of the electorate, would for their part gain a definitive voice in governing the country—to which they have been claiming the right for several years, since the party began advancing steadily in local and national elections.

The agreement, which has been the object of discussion for over a month, has suddenly moved into the limelight. One reason may be a poll published in a news weekly which indicated that if elections were held now, the Communists would be likely to win. The results of the poll were certainly a surprise to the Christian Democrats, who had begun to feel that their position was consolidated after they recently recovered some of the ground they had lost to the Communists in



“Rome” Bas, *Tachydromos*, Greece

regional elections in 1975. The poll may have worked to force the Christian Democrats to think seriously about taking the Communists formally into consideration. The idea has even been aired publicly on several occasions in Christian Democratic circles, and it was former Premier Aldo Moro, who leads one of its many factions, who voiced the present plan.

A rough draft of the points to be agreed on was presented at the end of May by Christian Democratic Secretary Benigno Zaccagnini to his counterparts in the other parties. It is roughly divided into four sections: law and order, economy, the public agencies, and reforms. For law and order, the draft proposes new laws making it easier for police to stop persons suspected of criminal activity. The police could also question suspects without the presence of a lawyer, but evidence thus gathered would have no legal value. The document also proposes a crackdown on “subversive hideouts,” the headquarters of the terrorist groups of extreme right and left.

On the economy, the document identified Italy’s main problems as a high rate of inflation, a large balance-of-payments deficit, an unwieldy debt in the public sector, and a slump in investments and employment. As a remedy, it proposes a reduction of the public deficit by 1,000 billion lire by the end of 1977 (as outlined in the letter of intention to the International Monetary Fund, from which Italy obtained a loan for \$530 million earlier this year); a labor policy that would “reform the structure of the cost of labor” through some modifications of the current system of wage indexation; more investments in the areas of youth employment, transport, agriculture, the building industry, and in the poor southern regions; and policies to encourage enterprise, “private as well as public.”

Italy’s plethora of public agencies, the document proposes, should be turned over “with prudence” to the newly created re-

gional administrations. Their debts should be taken over for “not more than 50 per cent” by the state, while the rest would be converted into long-term loans. Reforms—in the areas of health, high schools, and universities—should be opened to discussion in Parliament, the document states. This seems to be the area likely to pose the fewest problems to agreement among the parties.

The Christian Democrats would like all this to be worked out without any alteration in the current political structure. They have invited the other parties to help draw up a common document that can form the basis to further discussion. But it is generally felt that the present Government may need to undergo some top-level changes before the other parties will vote their confidence of any “programmatic agreement.”

—CHRISTINA LORD

London

Britain is contemplating the possibility of directly electing its European Parliament representatives next year by a method other than the traditional simple majority. For 150 years the simple majority system has prevailed in Britain, while most other West European nations have adopted some form of proportional representation.

“If we use our traditional simple majority system, there will be significant differences between our procedure and that of the other eight EC members which will be electing members to the same assembly,” said a Government White Paper (information report) on the direct elections, tentatively set for May-June 1978. It said adoption of a list system would bring Britain into line with most of its European partners and would ensure the allocation of seats was more proportional to the votes cast for the competing parties. But it warned “to abandon our traditional method in this way would be a major constitutional innovation, the consequences of which are difficult to foresee.”

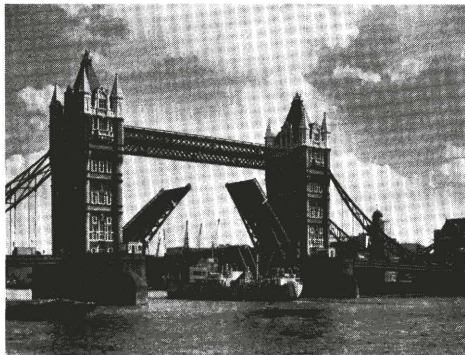
This could lead to changes in party organization and give central or regional structures a larger role in nominating candidates. It also might confuse the electorate, the White Paper said: “There are fundamental constitutional issues involved in direct elections to the European Assembly. It is the view of the Government that before legislation is introduced, there should be debate in Parliament and in the country in which all aspects of the matter are considered.” The traditional method of voting should not be changed for the direct elections “except after the most careful consideration of the present and future implications of such a step.” The

White Paper also stressed "a wide measure of support" would have to be apparent before any change in Britain's voting procedures.

All that said, the White Paper outlined four ways Britons might choose their 81 members in the 410-seat, directly elected European Assembly:

- stick to the traditional simple majority system "which has stood the test of time" and is unique among the nine member states;
- change to a list system of proportional representation, probably on a regional basis;
- switch to a single transferable vote system in which electors vote in order of preference for as many candidates in multi-member constituencies as they wish;
- combine one of these systems with a "compulsory dual mandate," meaning Britain's members of the European Parliament should also be members of the House of Commons.

The White Paper said the concept of the



constituency is a fundamental part of Britain's traditional electoral practice. The advantage of a single member constituency is that the elector votes for a particular candidate in the clear knowledge that the candidate who gets the most votes will be elected and will act as his or her member in the House of Commons. It suggested proportional representation should be regional rather than national because this would "allow some of the virtues of a simple majority system to be retained." A single transferable vote system, it said, "would mean we were using different electoral systems for national and European elections."

Whatever system is used next year, "it would be important to ensure a democratic procedure for the selection of candidates and to involve the constituency party organizations in this procedure to the fullest possible extent," the White Paper said. Politicians believe the ruling Labour Party, unless it manages to turn around the pollsters' gloomy forecasts by next spring, stands to lose heavily if Parliament opts for using the simple majority system. Many Labour officials lean toward a regional list system that would

avert the pitfall of centralized patronage by party headquarters but could give Labour a reasonable chance of fair representation in the European Parliament. The hitch here is Labour's influential left wing, which scorns proportional representation in any form. The opposition Conservative Party would like to stay with the simple majority system in hopes it might ride it to a sweeping victory. The small Liberal Party says proportional representation would be "utterly fair" and the quickest and easiest system to introduce.

—PETER J. SHAW

Dublin

A carefully engendered optimism provided the framework for the mid-June general election in the Republic of Ireland. Inflation is coming down: It will be 13 per cent by the end of the year and into single figures during 1978. Unemployment is also on the way down from its peak last year of 120,000. There is modest industrial growth again. The recession behind us, a general upturn in the economy is just around the corner. These were the messages with which the National Coalition Government, led by Liam Cosgrave, primed the Irish people for the mid-summer election. How true they are may take many months to prove. How effective they were in winning votes emerged when the country went to the polls June 16.

Both Government and opposition sought to fight the election on issues familiar to any democracy in the Western world: inflation, jobs, the survival of industry, the management of agriculture, the protection of resources, energy, violence in cities, and particular to Ireland's case, the extra dimension of the Northern Ireland problem. The battle lines had been drawn for months past. The National Coalition Government, in power for four years and three months, claimed that it had steered the country through a period of unprecedented economic chaos on a worldwide scale, preserving stability and standards of living in the best way it could.



The Fianna Fail opposition criticized the Government's performance and its methods, particularly a Coalition taxation policy which had undermined capital investment.

Yet on all the key issues the differences between Government and opposition were marginal rather than substantial, and this forced one to seek some hidden conflict to give meaning to an election campaign that promised from the outset to be as bitter as any in the history of the state. Such conflict was not difficult to find. Though the bread-and-butter issues were real enough to the people, the politicians and the political parties were fighting a much more serious battle over credibility and ultimately over survival.

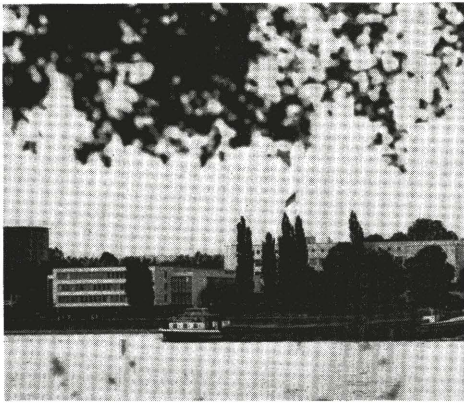
For the first time in the history of the state, there was a real possibility that a coalition between Fine Gael, which traces itself back to a period of unbroken rule between 1922 and 1932 and the Labour Party, the oldest political party in the state, would return to a second period in office. By the same token, and for the first time in its history, the Fianna Fail Party, founded by Eamon de Valera, and the Government for 35 of the past 45 years, could well have been beaten twice in succession, with far-reaching effects on its leadership, policy, and future development. Twice before, in 1951 and 1957, a coalition combination which included the two parties not in power, sought to defeat Fianna Fail a second time, and failed. And to a large extent their primary objective in power this time, during a period of massive economic upheaval, was to cast their past record in the face of fortune.

That's what the election was about. The simple survival in partnership for the past four years was a major Coalition asset, as was the hardline leadership of Liam Cosgrave, as well as the adroit and ruthless re-drawing of constituency boundaries for the purpose of this general election. These mattered more than issues.

—BRUCE ARNOLD

Bonn

German university students are once again getting a bad press. Scattered boycotts of classes, demonstrations, and other expressions of discontent have set a good many older people—newspaper editorialists among them—worrying that a "second 1968" may be at hand. It almost certainly isn't, yet the students have grievances that need to be dealt with seriously if smoldering resentment is not to build up to dangerous temperatures in the future. The leaders of German student protest in the late 1960's are scattered and seemingly disillusioned



people, mostly working inside "the system" somewhere or other, and often critical of the relative docility of the present generation. But administrators and politicians are aware of how quickly a new "movement" could form, and they can sometimes be caught looking nervously in the direction of Italy.

The combination of economic recession (which many Germans still do not consider over) with the longer-term demographics of the Federal Republic make this a demoralizing period to be a student. Education budgets, like everything else, are under pressure. Yet the number of people of university age is growing thanks to a postwar "baby bulge" that was later in Germany than in most other West European countries, and will probably not peak until 1984-85.

The growing stream of graduates and prospective graduates is emptying into a job market that is already difficult and isn't likely to improve. For example, the solemn aspiration of many students in liberal arts, social science, and law faculties is to join the public service sector and to attain the ultimate security of a *Beamter*, or German career civil servant, cushioned against unemployment and inflation for life. That means joining one branch or another of the federal or state government bureaucracy or becoming a teacher. But teachers are already in oversupply, and faced with the prospect of a shrinking school-age population in the 1980's, the authorities are understandably reluctant to hire more than they must. Similarly, there is pressure to hold down the rate of growth of other public expenditures, and that means that governments are not keen to add to the ranks of the *Beamter* for the next generation.

The attractions of security, as well as generous pay and fringe benefits, make competition all the keener for the jobs that are available. But what irks many students still more is the system that prevents many of them from even studying the subjects they want to, thus closing off entire areas of possible careers. The system is the *numerus clausus*, whereby entry into many fields is determined on the basis of marks scored in

the *Abitur* examination, taken during the last year at school.

Many of the faults of the university community have been readily blamed on the *numerus clausus*, and none perhaps so justly as the great pressure it puts on teenagers and on even younger children to earn good grades. Although practically unavoidable in some sought-after disciplines with limited teaching facilities, like medicine, the system has come to seem to many students a symbol of a callous, meritocratic society that cares little for individuals' hopes and aspirations. The politicians have been stung into trying to find ways to soften the effects, but there is no agreement yet on a new national test that might do the same job more fairly.

What is especially worrying to many observers of the university scene is the disappointment that seems to set in among students who feel themselves treated as mere numbers in an administrators' game. After years of almost continual university reform, originally set in motion in response to the unrest of the late 1960's, many students are frustrated at their courses and at the lack of "usefulness" of much of the material. University teachers, too, seem demoralized by the scarcity of jobs and by the rigidities of a tenure system enjoyed only by a few—and which in turn prompts charges of unfairness and cronyism. A recent survey carried out for the Federal Education Ministry found only 27 per cent of teachers who thought they were in a career with a promising future.

—ADRIAN DICKS

Copenhagen

According to the director of the Hudson Institute in Paris, Edmund Stillmans, the Danes are no better at managing their economy than are the British and the Italians . . . a judgment that won him few new admirers in Denmark, a country which traditionally considers itself in the top league in all worthwhile respects. Stillmans' remark was part of a comment on the latest Hudson Institute report, "Denmark in Europe 1990." The report itself did not raise as many eyebrows as might be expected, but then its futurology was less dramatic than other Hudson Institute reports, especially the one that saw very few obstructions to the rapid downfall of Britain.

In brief, the report on Denmark discusses four economic scenarios for the next 13 years. None of them promises easy solutions to the basic problems of the Danish economy—unemployment, inflation, the whopping balance-of-payments deficit, and

Europe's largest per capita foreign debt (the factual basis of Stillmans' candid remark). The Hudson report advocates closer cooperation between public and private enterprise to establish new economic growth patterns and, more controversially, that new employment be created by taking steps to release a number of women from the labor force for domestic duties and hitherto publicly provided services. About two-thirds of Danish women work outside the home, versus only about one-half in other Western countries, so the proposition is not entirely without logic. But few Danish women would like to return to housework, and among the young two salaries are a must if present living standards are to be maintained. The women returning home would, according to the report, receive some kind of remuneration, provided out of public funds. That might have been possible 10 years ago, but today that seems not a viable political and economic position.

The impact of the Hudson report was enhanced by the fact that it appeared almost simultaneously with a Danish report of a narrower time horizon but whose content immediately earned it the title of "the worst economic thriller since World War II." Fundamentally similar to the Hudson report, the Danish report was prepared by a semi-official group of independent economists. It states that Denmark is in serious economic trouble and that things are going to be worse before they get better. The first part everybody knew beforehand, but the second surprised some. The Danish report stresses that Denmark's foreign debt is now so large further loans may be had only on conditions which include some kind of political directives. And national Danish solutions must be based on a pay policy that envisages little or



no, perhaps even a negative, growth in real income for most wage earners.

The options are few, according to the report, and sometimes there are none, such as when the Danish krone was devalued in the wake of the Swedish devaluation some

months ago. Most Danish economists expect that small devaluations like the one in April will be a recurrent feature of the economic picture in the coming years. The question is, however, whether this will be enough to keep the Danish economy afloat. And the coming months in Denmark will be politically dominated by discussions about new measures to curb demand and stimulate employment at the same time, a thankless task.

On the European Community scene, Denmark is slowly but certainly moving into line on major issues. After two-and-one-half years of remonstrations, the Danish Government is now prepared to accept direct elections to the European Parliament in 1978 without any strings attached. Similarly, the Government is prepared to allow the Community to become self-financing next year by giving EC institutions the right to collect a certain amount of the value-added tax. The reason for the apparent about-turn in the European policies of the governing Socialist Party have not been officially divulged. But it seems that power constellations have changed to the disadvantage of the party's left wing, which also happens to be the home of the EC skeptics. But whatever the explanation, Danish EC policy has already changed, and there may be more changes to come.

—LEIF BECK FALLESEN

led sancerres or champagne laced with cointreau and fresh raspberries. A turbot caught earlier that morning is gently steamed, then accompanied by a subliminal mousseline sauce awakened by peppercorns from Madagascar. Another three-star restaurant, duly beknighted by the guide *Michelin*, is Comme Chez Soi, an obscure, tiny palace of epicurean delight not far from Brussels' grimy, Gare du Sud. As if in compensation to the working-class environment, Comme Chez Soi's prices are lower with food commensurate to the quality of Villa Lorraine. Avoiding the florid, at times pretentious elegance of its rival, Comme Chez Soi exhibits the virtues of a restaurant that "stays hungry" by sending teams out to secure the most succulent basic foods and ingredients at the point of cultivation.

Other Brussels' restaurants are earning the grudging esteem of Parisian critics, who in the past have been reluctant to commit the ultimate blasphemy of voicing hearty approval for restaurants outside the gastronomic belt of France. The entire quarter of the Ilot Sacre, which envelops the gothic, central landmark Grand Place, is infested with cafes, bistros, and restaurants that emit the aroma of good food. Portuguese sardines, homemade pasta, imported cheese,

and thick, grilled steaks, coupled with the pugnacy of garlic, onions, and basil, can be detected within the cobblestone maze of paths that winds around the old marketplace. To the sad chagrin of owners as well as adventurous eaters, the Government recently decided that its economic austerity program demands its price in good cuisine, and nearly doubled the sales tax on restaurant meals.

—WILLIAM DROZDIK

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Brussels

"Brussels may be a horrible place to visit," the saying goes, "but it's a great city to live in." A prime reason is the burgeoning number of gourmet restaurants gaining distinction for the "new capital of Europe," which is now assuming the precocious challenge of disputing Paris' claim as the gastronomic heart of the Continent. Top Belgian restaurants long ago shed their plebeian image as earthy, steak-and-frites eateries, and their chefs now figure in the forefront of the epicurean shift to "haute cuisine minceur." Featuring fresh, wholesome foods and eschewing the use of butter, Belgian chefs have adopted Frenchman Michel Guerard's culinary innovations to trim calories from fancy dishes and have wrought profound changes in the eating habits of the typically rotund Bruxellois.

Situated in a rustic cove at the edge of Brussels' Bois de la Cambre, Villa Lorraine combines this "less is more" philosophy with a lush pastoral setting and local delicacies. Giant asparagus from the fields of Malines, 15 miles north, is topped with an herbal sauce. Oysters, trucked in daily in season from the seabeds of Zeeland on the Belgian-Dutch coast, are served with a chil-

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NEWS

OF THE COMMUNITY

EXTERNAL

CIEC Ends with Good Reviews

At the close of the Conference on International Economic Cooperation (CIEC) in early June, Commission President Roy Jenkins and Commissioner Claude Cheysson spoke to the press about the results of the conference, also known as the North/South Dialogue.

Jenkins emphasized that it had been possible to take major steps forward in the relationship between the industrial and developing worlds. He said the Community in general, and the Commission in particular, had been able to play an active and significant part in: establishment of the common fund; official development assistance, where there had been a significant advance in commitments given by industrial countries, notably the United States and Japan; the special action program, and monetary issues, where there was an agreement on increased flows of capital.

Jenkins said it would be a great setback if there were any tendency to go back on agreements reached during the conference. He said the CIEC was a recognition of interdependence and that economic development of the Third World was of great importance to the economies of industrial nations. In general, Jenkins said, the atmosphere of the conference had been good. There were considerable risks in assembling such a conference that could have led to confrontation and breakdown; however, the risks had been run and overcome. He said a considerable advance had been made that could not have been achieved without the conference or the Community's contribution.

Cheysson echoed the Commission President's assessment, but also he said the CIEC had brought insufficient results for both sides. He stressed the part played by the representatives of the Community (British Foreign Minister David Owen, Jenkins, and himself) in the three working-groups. The establishment of the common fund was particularly important in unblocking

commodity negotiations, which had been regarded by the developing countries as the most important issue in the area of raw materials. Cheysson said the industrial countries maintained their belief in the necessity of a continuing dialogue on energy, where fundamental problems needed consideration by all countries in the world, including the East Europeans. Taking into account not only the actual but also the long-term balance between energy producers and consumers, satisfactory solutions could only be found on a worldwide level. He said it would not be a valid alternative to look for regional solutions, for example within the Euro-Arab dialogue, since the CIEC had not come to a conclusion in this matter.

Cheysson also recalled that one of the major contributions of the Community to the conference was a proposal for studying a stabilization scheme for raw material export earnings. No agreement was reached during the conference on the Stabex issue, however.

SELA and Commission Talk

Potential for cooperation in the fields of fertilizers, agricultural production, and handicrafts was discussed between the EC Commission and the Secretariat of the Latin American Economic System (SELA).

The initial contact took place in late May, when SELA Permanent Secretary Jaime Moncayo visited External Relations Commissioner Wilhelm Haferkamp and Development Commissioner Claude Cheysson.

SELA was set up in 1975 to promote regional integration and economic independence in Latin America via industrial production tie-ups rather than trade. The Commission's own programs of cooperation with non-associate developing countries in regional cooperation, export promotion, and agricultural development could well tie in with the aims of SELA.

Lebanon, EC Sign Agreement

At the May 3 signing ceremony of the cooperation agreement between the European Community and Lebanon, EC Council President and British Foreign Secretary David Owen said it opened up a "new path, rich in development possibilities."

Owen, EC Development Commissioner Claude Cheysson, and Lebanese Vice President of the Council Fouad Boutros all stressed that the agreement laid the foundation for far-reaching cooperation and took on particular importance following the recent distressing events in Lebanon. In this context Boutros asked the Community to consider increasing its aid allocation to Lebanon, UA 30 million so far, to help meet Lebanon's reconstruction needs after the civil war. An additional UA 100 million was suggested.

The new agreement replaces and

supplements an earlier one by providing more generous tariff concessions. This step is in line with the Community's common approach to the Mediterranean, which includes similar agreements with Algeria, Morocco, Tunisia, Egypt, Jordan, and Syria. The Community will also participate in development of Lebanese production and economic infrastructure, and help with export promotion and industrial and scientific development.

The two sides will exchange information on economic and financial trends and encourage private investment. Currently the Community exports far more to Lebanon (goods totaling UA 590 million in 1975) than it imports (UA 51.6 million the same year). One of the aims of the trade agreement is to right this imbalance.

EC, Bangladesh Join Efforts

The inaugural session of the joint commission under the EC-Bangladesh commercial cooperation agreement was held in Brussels this spring. Saifur Rahman, an advisor to the President of Bangladesh, came from Dacca for the opening meeting. Viscount Etienne Davignon attended for the Commission.

Davignon pointed out that the conclusion of the agreement and the joint commission's first meeting were stages in implementation of the joint declaration of intent, which was annexed to the Treaty of Accession when the Community enlarged to take the interests of Commonwealth Asia into account. Davignon's assessment was that the original objectives for maintaining trade access had been fulfilled; the next step would be to develop the potential for trade, in light of the disappointing figures of recent years.

Between 1973 and 1975, Bangladesh's exports to the Nine fell in value by 45 per cent despite improved access and generally higher world prices for most goods. Bangladesh suffers badly from being a monoculture economy dependent on jute, which, despite the oil crisis and the corresponding rise in the price of synthetics, is not managing to hold its ground in industrialized markets. Davignon said the joint commission should become the focal point of efforts for reversing this trend by promoting product sales, studying how continued erosion of markets by synthetics can be halted, and by diversifying the range of exports from Bangladesh.

Summit Not All Satisfactory

Commission President Roy Jenkins described his participation in the London summit as an "important advance" but added that the arrangements for the representation of the Community were neither logical nor entirely satisfactory.

Jenkins said that this was the first time the European Community as such had taken part in a summit and that, at those parts of the meetings he attended,

the role and responsibilities of the Community were fully recognized by members and non-members of the Community alike. He took full part in discussions on trade and the North/South Dialogue and to a lesser extent on energy, but was not present for the general economic debate when vital questions such as growth, inflation, and employment were discussed. "I hope that we shall be able to get a better arrangement next time," he said.

Reviewing some of the decisions of the summit, Jenkins welcomed the objective of a new impetus for the Multilateral Trade Negotiations and the progress made in the approach toward relations with the developing world. He also said he hoped the Community would be able to play its part in the work on terms of reference for an evaluation of the international nuclear fuel cycle.

Iran Goes a Second Round

Iran's Deputy Minister for Economic Affairs and Finance Javad Vafa headed a negotiating team to Brussels this spring for talks with Commission Director General for External Relations Manfred Caspari. A special economic and commercial cooperation agreement between the European Community and Iran was discussed.

This was the second round of formal negotiations following 18 months of exploratory talks concerning an appropriate form of agreement given changing trade patterns between the two zones. Iran is now the Community's number three source of imports behind the United States and Saudi Arabia, and the country is assuming increasing importance as an export market.

Consequently, a conventional trade agreement which previously linked the two was allowed to lapse, although the Community continues to apply concessions unilaterally. At the last round of talks the two delegations examined a draft of the future agreement.

Trade Relations Discussed

Trade relations between the Community and both India and Japan have been strained in recent months because of high import penetration on European markets of Indian textiles and a wide range of Japanese goods. These problems were high on the agenda of official visits in May by External Relations Commissioner Wilhelm Haferkamp.

While in Delhi Haferkamp had discussions with the new Government on its policies and, in particular, on what Haferkamp described as its "remarkable" new 10-year economic program, which places emphasis on rural development and cottage industries. The officials also debated the potential for diversifying trade under the Community's commercial cooperation agreement with India and for EC help with specific sectors such as steel pelletization. The

textile issue was the subject of frank discussions over restrictions introduced by the Commission to curb the flow.

In Japan Haferkamp stressed the difficulties caused for the Community's trade balance and industrial employment by the steady flow of Japanese exports unmatched by openings in the Japanese market for European goods. Haferkamp conveyed requests for wider discussions to look at the problems in an overall economic framework.

Cyprus Negotiations Opened

Negotiations between the European Community and Cyprus have opened to expand the existing association agreement, which expired July 1.

The EC Foreign Ministers agreed at a meeting in May on negotiating instructions for the Commission. These allow Cyprus: to postpone the date from which it has to start lowering its own tariffs to allow in more EC goods, while the Community lowers its industrial tariffs; to improve the concessions it receives on agricultural produce, and to extend coverage of the agreement to economic and financial cooperation.

The Community has put aside UA 30 million as financial assistance earmarked for Cyprus.

AID

Palm Oil, Tourism Get Boost

Construction of a palm and coconut oil mill and of a new hotel in the Ivory Coast are among recent projects to receive European Investment Bank financing from resources set aside under the Lomé Convention for signatory African, Caribbean, and Pacific states.

A loan of UA 7.5 million has been made available to Palminindustrie for 13 years at 6½ per cent (after deduction of a 3 per cent interest rate rebate financed by the European Development Fund). It provides over one-third of the financing needed for the new palm and coconut oil mill creating 200 new jobs. The Ivory Coast is the world's third largest exporter of palm oil.

The second loan of UA 1.65 million is for the same period at the same rate. It has been made to Société Immobilière de la Lagune, a subsidiary of SCOA and Novotel, which is building a new 288-room hotel on the banks of the lagoon in the center of Abidjan. The hotel will create more than 300 new jobs.

EDF Aids Eighteen Projects

Eighteen decisions on allocation of European Development Fund IV (EDF) resources bring commitments to UA 566 million. The fund has resources of over UA 3 billion available under the Lomé Convention for 52 African, Caribbean, and Pacific (ACP) countries.

The 18 projects chosen for assistance are in:

Botswana, UA 179,000 grant for a training center at Maun; *Malawi*, UA 8.2 million grant for the Lakeshore region agricultural development project, and a second grant of UA 2.4 million for water supply in Lilongwe; *Niger*, UA 7 million grant for stage two of the Zinder rural development program; *Rwanda*, UA 1.2 million grant for a pre-investment study of Ruzizi hydroelectric power station at Kitimba; *Jamaica*, UA 3.1 million loan on soft terms for a 2,000-acre banana plantation; *Tanzania*, UA 6 million grant for the Irina agricultural development scheme; *Trinidad and Tobago*, a UA 1 million loan on soft terms for a timber growing and production project; *Comoros*, UA 1.3 million grant as exceptional assistance to help the government cope with the difficult situation caused by repatriation of Comorian nationals from Madagascar; *Congo*, UA 1.8 million grant for a bridge over the Niari at Loudima; *Guinea Bissau*, UA 1.1 million grant to supply three 40-ton ferries for San Vicente, Farim, and Landim to enable resumption of normal traffic from the capital to northern parts of the country; *Kenya*, UA 3 million grant to set up eight veterinary centers and supply new cattle dips and run cattle dipping centers; *Swaziland*, UA 2.5 million for rural development; *Ivory Coast*, UA 79,000 for technical assistance in organizing an African textiles and clothing fair; *Barbados*, UA 402,000 to build and equip a public health center at Litchfield; *Botswana*, UA 697,000 to carry out a census of herds and assess potential pasture; and *all ACP countries and overseas territories*, UA 100,000 grant to finance information seminars.

Finally, UA 19.6 million have been granted to finance training programs in Barbados, Benin, Burundi, Guyana, Upper Volta, Jamaica, Malawi, Rwanda, Sierra Leone, and Trinidad and Tobago.

Aid Set for Cooperation

The first step has been taken to meet the Lomé Convention's goal of allocating around 10 per cent of European Development Fund resources to regional cooperation. UA 207.8 million of the total UA 330 million available has been earmarked for this purpose.

The goal of the regional cooperation program is: to accelerate cooperation and development within and between the African, Caribbean, and Pacific (ACP) regions involved; accelerate diversification; reduce ACP import dependence; create wider markets, and maximize use of resources and services in ACP states.

UA 20 million will be used for trade promotion activities, an industrial development center, and general technical assistance to benefit the area as a whole. UA 147.8 million will be spent in Africa; UA 30 million in the Caribbean, and UA 10 million in the Pacific.

Almost half the money will be spent on transport infrastructure and almost a quarter on the productive sector. The rest will be divided among training and technical assistance, trade promotion, industrial cooperation, pre-investment studies, and miscellaneous projects.

A total of 41 ACP countries will receive funds under the first program, and two non-ACP countries—Mozambique, via the civil aviation telecommunications link planned between Beira and Nairobi; and Namibia, via a training program at the Namibia Institute in Zambia.

Lomé Improvements Made

New concessions in the Community's relations with the 52 African, Caribbean, and Pacific (ACP) states were announced during the meeting of the ACP-EC Council of Ministers in Suva, Fiji, this spring. It was agreed to add vanilla, cloves, pyrethrum, wool, mohair, gum arabic, and ilang-ilang to the list of 13 product groups which can qualify ACP states for loss of export earnings (Stabex) in trade with the Community.

Western Samoa, Tonga, the Seychelles, the Comoro Islands, the Lesotho were added to a list of states that qualify for Stabex on exports to any country.

The Community agreed to reverse its decision to reduce export quantities of sugar set for some ACP states that had failed to provide their share in the 1975-76 period. It was also agreed that the price for the next year would be set before May.

The ministers set guidelines for financial and technical cooperation and formed a special subcommittee to look into problems of the least developed, landlocked, and island countries.

A number of specific trade problems were also aired: difficulties of enlarging the market for rum from ACP countries; problems in the banana market; difficulties caused by Community standards on the aflatoxin content of animal feed. More general concern was expressed at the erosion in ACP preferences caused by the Community's system of generalized trade preferences for developing countries.

Portuguese Port Gets Loan

The Douro and Leixoes Port Authority in Portugal has received a loan equivalent to UA 16 million from the European Investment Bank (EIB) to part-finance expansion of the port of Leixoes near Oporto. After deduction of a 3 per cent interest rebate, the interest rate of this 12-year loan will be 6¾ per cent. The loan is financed by the Community budget under the terms of the exceptional emergency aid provision of UA 150 million made to Portugal in 1975.

The money put up by the EIB is about one-third of the estimated UA 44 million needed for constructing a container terminal at the port with 360

meters of quays to allow simultaneous dispatching of three container ships. A new dock for general and bulk cargo and restructuring of the rail connections between the dock and the national network is also planned. The expansion program will improve port services for industry in the Oporto area and help industrial development and employment in northern Portugal.

Sugar Plantation Expands

Development of a sugar plantation and construction of a sugar mill on the Dwangwa River Delta in Malawi have received a financial boost from the European Investment Bank (EIB).

The EIB announced a UA 6.5 million loan and a UA 980,000 equity participation in the Dwangwa Sugar Corporation. The loan is for 12 years at 5½ per cent after a deduction of a 3 per cent interest rate rebate financed by the European Development Fund. The equity stake comes from risk capital resources made available under the Lomé Convention, which links the Community and 52 African, Caribbean, and Pacific states.

The Dwangwa Sugar Corporation was set up in April last year to develop 6,000 hectares of sugar cane production and construct a new sugar mill with an initial capacity of 150 metric tons per hour. The total cost of the project is around UA 60 million. Long-term finance is also coming from Malawi's Agricultural Development and Marketing Corporation and Press Holdings Ltd., as well as from Lonrho Sugar, the International Finance Corporation, the German Development Co., and the Investment and Development Bank of Malawi. The project should provide 3,000 new jobs.

Ethiopia to Receive Aid

Ethiopian Finance Minister Ato Teferra Wolde Semai was at the EC Commission this spring to sign a financing agreement under the Lomé Convention. The agreement makes UA 12.9 million available to Ethiopia from the European Development Fund. This funding meets almost the entire cost of a program to improve coffee yields of Ethiopia's small farmers and to increase food production in coffee areas as well.

Fertilizer and improved seed are provided under the project; and disease and pest control, help with credit and marketing, and improvement of infrastructure, particularly rural roads, are also covered. The four-year plan will aid 33,500 farmers in eight districts extending over 25,000 hectares of modernized coffee production and 18,000 hectares of improved food crop production.

Food Aid Proposals Made

A supply of 45,000 tons of butter oil and 150,000 tons of powdered milk for developing countries has been pro-

posed to the Council of Ministers by the Commission. This rounds off EC food aid program proposals following earlier cereals aid program recommendations.

The quantities are to be divided almost equally between direct deliveries by the Community and aid channeled through international organizations such as UNICEF, the Red Cross, and the World Food Program. A certain amount would be held in reserve for emergencies.

In most cases only countries with a per capita income of less than \$300 will qualify for aid. The levels of aid proposed are in line with what the Commission believes it can get member states to finance and with its existing international obligations. The aid falls far short, however, of actual requests, particularly for butter oil.

Nine ACP States Compensated

Nine African, Caribbean, and Pacific (ACP) countries have been allocated a total of UA 24.1 million to compensate for losses in earnings from commodities last year. They are: Benin, the Central African Empire, Fiji, Madagascar, Niger, Sierra Leone, Western Samoa, Tanzania, and Tonga.

The money comes from the Stabex Fund set up under the Lomé Convention to stabilize export earnings in the 52 ACP signatory states. The compensation is in the form of straight subsidies or loans to be repaid later depending on the state of the country's development. Except in a few cases, export losses incurred were from sales to the European Community.

The main beneficiary so far this year is Niger, to which 28 per cent of the allocation goes to make up for poor sales of groundnut oil and oil cake. Tanzania also received a sizable share, more than one-fifth, to offset its loss in sisal earnings. The smallest grant was UA 117,508 for Tonga, whose copra had a bad year.

ENERGY

Energy Saving Program Set

The Community is falling behind in its goal of cutting imported energy requirements to 50 per cent of total needs by 1985. The Commission thus has proposed an energy saving program and investment measures designed to help meet this goal.

It proposes stepping up EC lending and loan guarantees to the energy sector, so that 2-3 per cent of the total UA 200,000-210,000 million spent on energy in the next 10 years—which is about one-quarter of total industrial investment—will be channeled through the Community.

Some of the money would be used to finance demonstration energy saving projects and pilot plants for new

sources of energy. Coal gasification and liquefaction appear to be the most promising, even though they are not as yet economic.

The Commission is also proposing a vast program of building modernization and insulation that would create at least 300,000 jobs. All this is to be accompanied by measures to promote security of supply and investment via long-term contracts and a minimum guaranteed purchase price for Community oil and perhaps for other countries' hydrocarbons as well.

Uranium Safeguards Reviewed

The mysterious disappearance of 200 tons of uranium oxide on the high seas in 1968 has led to an overhaul of European Atomic Energy Community (Euratom) safeguards.

The oxide disappeared between Antwerp and Genoa after it had been sold by the Belgian firm SGM to Asmara Chemie of Germany. The shipment was headed for processing for the petrochemical industry by the Italian firm SAICA. The ship on which it was loaded changed registration and crew in Antwerp and never arrived at its destination. When the ship subsequently reappeared, the relevant pages of its logbook were missing and the engine room log was indecipherable with oil.

The disappearance was detected through Euratom's quarterly checks to account for atomic materials in the Community. Although the uranium was intended for non-nuclear purposes and could not have been used to fuel a reactor or make weapons without application of sophisticated technology, Euratom concluded that its safeguards should be revamped. The safeguards were considered unusual in extending to ores and oxide at that time.

Subsequently, they have been broadened to include shippers and middlemen, whom the Commission's investigation could not include at the time of the loss. When a new international safeguards system was introduced in the early 1970's as a result of the drafting of the Non-proliferation Treaty (NPT), Euratom safeguards were aligned with NPT rules.

However, no safeguards system anywhere in the world extends to the high seas, and Euratom admits that not having police powers, which remain with the member states, weakens its control. The reluctance of member states to adopt its proposals on common rules for physical protection of nuclear materials is also a weakness, said Euratom.

Nuclear Capacity Increased

Installation of a further 1,810 megawatts of nuclear generating capacity in France is to be partially financed through two loans from the European Investment Bank (EIB). EIB is contributing in this way in order to lessen Community dependence on oil imports.

The Bugey nuclear power plant at Saint Vulbas receives 153.8 million

French francs for 12 years; the Dampierre plant at Burly (Loiret) gets 168.5 million French francs for 20 years. Both are being built by Electricité de France.

The Bugey unit will be the fourth on this site and will bring total net capacity at Bugey to 4,200 megawatts. In Dampierre work has only just started.

Oil Storage Creates Burden

The requirement that EC oil companies hold a 90-day supply in case of crisis has resulted in an increasing financial burden as oil prices have increased. The requirement also poses a problem in rational use of available capacity.

The Commission acknowledged these difficulties with a proposal that more use be made of empty storage facilities. It recommended regular publication of information on spare capacity and suggested that the possibility of pooled storage facilities set up on a non-profit-making basis by a levy on petrol sales be considered.

Its proposal to the Council on this subject is part of the Commission's agreed work program in the energy field for the first half of 1977.

Uranium Shipments Resumed

EC Energy Commissioner Guido Brunner welcomed the news in May that US President Jimmy Carter had authorized shipments of over 500 kilograms of highly enriched uranium to the European Community.

Supplies of highly enriched uranium from the United States, which is virtually the Community's only source of supply, had been delayed since last summer by changes in US administrative procedures and a review of US policy on export of this weapons-grade material.

The uranium is not intended for weapons use in the Community, but, as Brunner pointed out, for research into alternative forms of energy. However, its potentially dangerous nature has caused the United States to carefully consider requests for export licenses, to the extent that some Community reactors were threatened with a slowdown in activity.

In welcoming the US decision, Brunner pointed out the Commission's readiness, if asked, to participate in any international discussions on alternative fuel cycles to the commonly used uranium-based one.

ENVIRONMENT

Water Supply Action Taken

Although EC water supplies are expected to be adequate overall until the year 2,000, there are seasonal and regional fluctuations that leave no cause for complacency.

Consequently, the Commission has

launched a European water program designed to improve the protection and supply of water in the Community by studies of water management and coordination of EC financial resources to improve water use.

Existing activity on reducing surface and underground water pollution, research into drought and its implications, Joint Research Center programs, and European Agricultural Guidance and Guarantee Fund and Regional Fund plans to reduce water use will be parts of the program. The European Investment Bank will also consider overall supplies when weighing finance for hydroelectricity or irrigation.

Aerosols Not Banned in EC

The Commission has asked for studies to be completed before the end of 1978 on the possible negative impact of aerosols. It wants to know what the alternatives are and what the effects would be on EC industry if aerosols are found to be harmful.

The Commission's investigations follow US legislation phasing out aerosols with fluorocarbons, which means most aerosols on the market. The Commission has already carried out preliminary inquiries that indicate the evidence showing aerosols to be harmful cannot be considered conclusive. It finds no grounds for banning aerosols until additional studies are carried out.

AGRICULTURE

Farm Improvements Needed

The Commission says better production, processing, and marketing structures are needed for farm produce from Mediterranean regions, in its report on the special problems of agriculture in areas likely to be affected if the Community enlarges.

A more rational choice in products for cultivation should be made with emphasis on protein-producing products and fodder, according to the Commission. It suggested that current or planned irrigation programs should be developed.

At the same time the Commission said it wanted to see changes in the market organizations of olive oil, wine, and high-protein products, as well as introduction of a common market organization for mutton. The main problem in the Commission's view is in fresh and processed fruit and vegetables, which require better market organizations in order to ensure the Community preference and price stability.

Agriculture Prices Approved

The Commission's agricultural price package for 1977, which is expected to increase agricultural prices an average of 3 per cent for the 1977-78 marketing year, has been formally adopted. Ap-

proval of the package, formulated by Agricultural Commissioner Finn Olav Gundelach, had been delayed for a month by British opposition primarily on the issue of subsidies for butter consumption.

According to the compromise, Britain will subsidize UA 33 per 100 kilograms from May 1, 1977, to March 31, 1978, with the subsidy paid entirely by the Community's agricultural fund. The decisions on subsidizing butter sales confirmed the priority of selling butter at reduced prices to Community consumers in lieu of exporting it in massive quantities. The Commission also authorized a sale of subsidized butter to the other Community consumers.

Gundelach said he was satisfied with the Council's agreement on the agricultural price package, which he said confirmed a large part of the initial proposals and practically all the essential elements in the dairy section. He added the price package could be "a significant breakthrough" toward an agricultural policy for the Community that is aimed more toward a structural approach.

On the special treatment accorded Britain, Gundelach pointed out that everyone recognized that the measures demanded to bring the British economy into line with Community requirements would have reduced British butter consumption. A reduction of butter sales in Britain would have adversely affected the outlets of most dairy producers in other parts of the Community. However, subsidizing butter sales may still not solve the butter surplus, because the Community still produces more than it needs for internal consumption and exports.

In the interest of reducing the dairy surplus, it was agreed to tax dairy production beginning in September this year.

Fishing Rights Disputed

The arrest by Irish fishery protection vessels of 10 Dutch trawlers this spring brought to a head a disagreement between the two countries. How to interpret the so-called Hague agreement on what autonomous fishery protection measures are allowed where there is no Community policy is the debate.

Ireland claims it introduced its ban on large trawlers only as a last resort in the face of repeated Council failures to reach agreement on alternative Community solutions. The Netherlands regards the measures as illegal.

The issue was aired by the Council of Ministers May 3, when it noted an urgent need for a definitive fishing policy and the Commission's intention of presenting proposals in the near future. In the meantime the Commission has started legal proceedings against the Irish Government for alleged infringement of the EC Treaties. The Irish court trying the Dutch fishermen referred the points of law to the Court of Justice in Luxembourg for a preliminary ruling.

MCA System Changes Favored

The EC Commission has suggested two changes in the system of monetary compensatory amounts (MCA) levied in Community agricultural trade as a means of providing greater stability and ironing out competitive distortions.

EC agriculture ministers at a May meeting looked favorably on the idea of prefixing the MCA in external trade in the same way levies and refunds are already prefixed. They decided to give further consideration to the Commission's desire to cut the MCA in individual cases where it has reached proportions causing competitive distortions rather than evening out inequities as intended.

Ministers also agreed on a measure to liberalize trade in pure-bred breeding cattle between member states. The problems of British pig producers suffering from low prices and high subsidies on Danish imports via the MCA system, and French winegrowers, who feel they are facing unfair competition from Italian wine, were also discussed. Both groups had sent delegations to demonstrate outside the meeting.

Herring Ban Extended

Agriculture ministers agreed in May that the current ban on fishing for herring in the North Sea should be continued until the end of June in the interests of conserving the seriously depleted stocks.

Only the Dutch were to be allowed to fish for herring during that period, and then only for the small amount of 1,500 tons. The exception was made so as not to interfere with the traditional Dutch *maatjes*' (raw herring) season. The ban on herring, which already applies in the Celtic Sea, was extended until June 30 to the west of Scotland as well.

The ministers hoped to have completed a comprehensive fisheries policy by then that would include a decision on a Commission proposal to extend the herring fishing ban to the end of the year over wider areas of water. The Commission had proposed that member states be subject to fishing quotas in EC waters and that the new fisheries policy should pay particular attention in allocating quotas to the special needs of fishermen that are particularly dependent on the sea for providing employment and/or that have lost access to the waters of other countries.

ECONOMY

Employment, Growth Assessed

In preparation for the tripartite conference of European employers, unions, and EC member states held in Luxembourg June 27, the Commission produced a discussion paper on growth, stability, and employment, which took

stock of the current situation and assessed prospects.

The Commission was forced to concede that the goals set at last year's tripartite conference (a return to full employment by 1980, a reduction in the rate of inflation to 4 or 5 per cent by then, and average annual growth over the same period of about 5 per cent) have not been met. The solutions applied were generally those recommended, but the size of the problems appears to have been underestimated.

If the objectives are to be achieved, the Commission believes higher levels of investment with Community-level coordination is crucial. At the same time it urges better vocational guidance for school-leavers, better bridging arrangements for school-leavers entering the job world for the first time, more retraining, and help for geographical and occupational mobility. It recommends better alignment of income growth in monetary terms and price increases as a means of combatting inflation.

Youth Unemployment Soars

Any improvement in the figures for youth unemployment in the spring of 1977 was attributable to seasonal factors and not underlying structural improvements in the situation, according to the EC Commission.

Although the figures are imprecise because in some countries young people are defined as under 20-years-old while in others it is under 21 or 25, the trend is nevertheless clear: The number of unemployed youth multiplied alarmingly in the last 10 years—more than five times in Belgium, six times in Germany, almost 10 times in France, twice in Italy, and four times in the Netherlands.

In addition, the share of young people in the total unemployed has increased everywhere: by 16 percentage points in Belgium, more than 3 points in Denmark (since 1971 only), almost 14 points in Germany, over 18 points in France, 16 points in Italy, 14 in the Netherlands, and 18 points in the United Kingdom.

In most EC countries the proportion of young people unemployed has more than doubled since 1967. On a weighted average the proportion has risen from 21.3 per cent in 1967 to 37 per cent last year.

Unemployment Levels Viewed

Unemployment was naturally the primary interest of the EC Standing Committee on Employment when it met in Brussels in May. The committee, made up of representatives of employers, unions, and member states, considered prospects up to 1980, when the increasing number of people seeking employment is going to make a return to high employment more and more difficult.

In this respect one of the implications of overall economic policy is to maintain the competitiveness of EC industry

and to define a coherent policy on measures to stimulate job creation and investment.

There was general concern at the high level of unemployment among young people. Youth unemployment is one of the areas where the EC Social Fund has come to play an increasing part in recent years. The emphasis of the Social Fund when its statutes are revised later this year was another agenda topic.

Gloomy Economic Picture

A gloomy, divergent economic picture was painted by Economic Affairs Commissioner François-Xavier Ortoli when he addressed the European Parliament in May. Over the last three years growth in the United Kingdom has been nil, in Germany 2.5 per cent, in France 6 per cent, and in other countries 4.5-to-5 per cent. This year the range is likely to be between 1.5 per cent in Luxembourg and 4.5-to-5 per cent in Germany.

The range of inflation last year was from 4.5 per cent in Germany to 18 per cent in Italy; this year inflation seems to have slowed, but not enough. Unemployment ranges from 0.5 per cent of the population in Luxembourg to 10 per cent in Ireland. In Germany and the Netherlands it is around 4 per cent; in France, 4.5 per cent; in the United Kingdom, 5.5 per cent; in Italy, 4 per cent; in Denmark, 6 to 7 per cent.

Nevertheless, Ortoli highlighted some positive elements: increasing convergence in economic goals and methods, slight progress in controlling prices and balance-of-payments deficits, and the hope that the Community will be pulled up by the bootstraps of the US recovery. Yet the average increase in gross domestic product in the Community this year is expected to be 3.5 per cent, compared to 4.3 per cent last year; unemployment will probably increase from 4.6 to 4.8 per cent of the labor force; and inflation may continue to hover around the 10 per cent mark.

Real Cost of Food, Drink

British food prices may seem low, but when expressed in terms of earnings, the picture is different. The average worker in the United Kingdom has to work longer than his counterpart in every EC member state, except France and Italy, to be able to afford a liter of milk. Whereas a Dane can earn his liter in 4:11 minutes, the UK worker must work 6:43 minutes, and the Frenchman or Italian, 9:12 minutes—more than twice as long as the Dane. This is by no means the widest span. A Luxembourg can buy his beer after 9:06 minutes, but the Irishman has to work more than three times as long, 28:30 minutes.

Totaling the time it takes each European to earn enough money to buy a shopping list of one liter of milk, one of beer, one of premium petrol, one of whisky, a kilo of beef, and a kilo of butter, the Luxembourg is the best

off. He can buy the lot after just over 4½ hours of work. Then comes the Dutchman after almost 5 hours, and the Belgian after nearly 5½ hours. The German takes just over 6 hours; the Dane more than 7, and the Irishman, 7¼ hours. The French and Italians fare the worst: They have to work almost 8½ and 9 hours respectively.

Minimum Price Introduced

Minimum prices for certain reinforcing bars manufactured by the EC steel industry and indicative prices for a number of laminated products were introduced in early May.

This step is one element of a thorough program of intervention in the steel industry to support the market in the short term while long-term reforms are being carried out. Prices were reviewed before summer when the Commission examined the social aspects of its proposals—finance for retraining, for example.

SOCIAL POLICY

Orphans Receive Grants

Over 30 orphans of workers in the EC coal and iron ore mining and steel industries have been awarded grants this year by the Paul Finet Foundation. Since beginning in 1965, the foundation has made 6,623 allocations totaling 55 million Belgian francs.

To qualify for bursaries, school children must be at least 14-years-old, or have reached an equivalent academic stage, and be orphans of coal or steel workers who have died since June 1965 (or since January 1973 in the case of British, Irish, and Danish nationals). The grants are awarded for general secondary education, vocational training, or higher education to students with good marks and aptitude for the course they wish to take. The grants are paid each year until completion of the course of study.

Rights Declaration Signed

A joint declaration on fundamental rights was signed in Luxembourg this spring by the Commission, the Council, and the European Parliament. Commission President Roy Jenkins described it as "an important occasion for the rights of man." He said that although primarily concerned with cooperation by economic means, the European Community has a determination to secure and enhance individual freedom and liberty under the law.

Council President, British Foreign Secretary David Owen, stressed it was appropriate for the Community to sign such a declaration at a time when the whole world is taking an increasing interest in fundamental and human rights. Emilio Colombo, President of

the European Parliament, on whose initiative the declaration was drawn up, said it was a public affirmation of the essential place man has in the Community.

REGIONS

Development Funds Allocated

A total of 490 investment projects in six member states have benefited from the EC Regional Development Fund's second 1977 allocation. These loans amount to UA 91 million and bring total lending since the fund began making grants in 1975 to UA 945 million.

Of the latest projects, 159 in industry or the crafts and service sector will receive UA 48 million. Infrastructure projects number 331 and will receive UA 43 million. The total investment being part-financed in this way is UA 803 million.

The six countries benefiting this time round and the number of projects in each country are: Belgium, 43; Denmark, 29; Germany, 128; Ireland, 30; Italy, 64; United Kingdom, 196.

Each country receives a predetermined share of the fund's money each year, and the type of project in each country is simply a matter of what is needed. In the United Kingdom, for example, general infrastructure spending has been markedly predominant in terms of the number of projects, but the sums per project have been much smaller on the average than elsewhere. Ireland, on the other hand, has tended to put more money into industry than into infrastructure. As a proportion of overall spending, Ireland has also paid more attention to rural and mountain area infrastructure than any other country.

Steelworks Receives Loan

Società Acciaierie di Piombino of Italy has received a loan of 80 billion lire, or approximately UA 81 million, from the EC Commission to finance a modernization and rationalization scheme for its integrated steelworks in Piombino.

The money comes from the European Coal and Steel Community's industrial development funds. The program at Piombino will improve the production flows of pig iron supplies to the steelworks and restore balanced inputs to each stage of the operation.

EC Loan to Italy Approved

The Council of Ministers has approved a loan of \$500 million to Italy, which will come from the Commission's \$3 billion lending facility designed to help EC member countries in balance-of-payments difficulties through Community-guaranteed loans.

This is the second time Italy has drawn on the facility; a previous loan of \$1 million was for the same purpose.

Ireland is the only other country to have availed itself of this resource—having borrowed \$300 million.

The latest loan will be raised on the international capital markets by a consortium headed by the Deutsche Bank, Crédit Suisse, White Weld, and Banque de Paris and des Pays-Bas. The issue will be in two segments: one of \$200 million for five years and the other \$300 million for seven years.

The Community has imposed economic policy conditions on Italy in connection with the loan, which are analogous to those imposed by the International Monetary Fund as a condition of its latest loan to Italy.

British Water Works Aided

Britain's National Water Council has been granted a loan of 7.5 million pounds by the European Investment Bank (EIB) to part-finance the 38 million pound cost of two new intakes on the River Tees. These will provide water for industrial users, a series of sewers, and a treatment works. The loan is for 15 years at 9½ per cent.

Improved water supplies on Teeside are regarded as essential for the industrial regeneration of this region. The area is suffering from a slump in its traditional industries—coal, steel, and shipbuilding—and is trying to attract new industries, such as chemicals and petro-chemicals, which are large water consumers. This loan brings EIB lending to British water supplies to 46.3 million pounds.

Danish Aid System Approved

In order to prevent competitive distortions and the granting of unfair advantage, the Commission keeps member states' regional aid systems under constant review and has recently come out with a generally favorable opinion on Denmark's.

Denmark uses subsidies, low-interest loans, and government guarantees to foster development of two types of regions: so-called ordinary development areas and special development areas. The system applies to Denmark and the Faroe Islands (but not Greenland).

The Commission feels the system can be exempted from the general ban on aids because the areas have structural difficulties that need assistance. However, in some areas, the Commission believes the need is becoming marginal and has asked the Danish Government to phase out aid with a provision for further examination prior to the end of a two-year phasing out period.

Provence Irrigation Aided

Irrigation and water supplies development in the Provence region of southern France will be aided by a third loan from the European Investment Bank, which has made 150 million French francs available to the Société du Canal de Provence for 15 years at 9½ per cent.

The development will irrigate 24,800 hectares in the Bouches-du-Rhône and Var departments. The current phase, costing 400 million francs, will irrigate 8,800 hectares in the Trevesse and Toulon areas, and finance distribution networks, reservoirs, pumping stations, and the acquisition of mobile sprinkler units. The project is part of a 20-year plan through 1985 designed to exploit resources of the River Verdon.

INSTITUTIONS

Information Effort Planned

The Commission plans to divert a large proportion of its existing information budget to supplement the UA 1 million it is to receive under a special budget for publicizing the European Parliament's direct elections. A major information effort will be made to ensure that 180 million voters are aware of Community issues and thus turnout on election day in 1978.

A special information program has been drawn up to focus attention on the successes and difficulties, the origins and future, of the European venture in order to make the election campaign meaningful. Special articles will appear in Commission periodicals; lectures will be organized; written or audiovisual material distributed; journalists will be supplied with fact sheets and will be able to visit Brussels under a special visits program.

The Commission's new color television studio will be linked to Eurovision; cooperation between broadcast networks will be promoted; a series of seminars will be introduced for political associations, trade unions, university associations, women's groups, farmers' associations, youth movements, environmental protection, and consumer information groups. And the Commission will subsidize information programs by outside organizations.

EC Seeks Interim Rulings

Both the United Kingdom and Ireland are to be hauled up in the dock by the EC Commission for alleged infringements of Community rules. The Commission has asked the Court of Justice in Luxembourg for an interim ruling on the legality of a British subsidy for pig producers and of an Irish ban on large trawlers off its shores. If the Court rules against the members states, then they will have to lift their measures pending a final decision.

Britain introduced its subsidy of 50 pence per 20 pounds after bacon competition from cheaper Danish imports began to affect domestic sales and after the Commission rejected a request for a change in the system for calculating monetary compensatory amounts.

The Irish introduced a ban on large

trawlers (including their own, of which there are, however, very few) around their coasts after members states failed to agree on conservation measures for Irish waters. While a search for an alternative solution was going on, Ireland went ahead on the grounds that the so-called Hague agreement allowed autonomous action where there was no EC policy, providing the Commission had been consulted. Ireland's arrest of 10 Dutch trawlers caused such a furor, however, that Court action in Luxembourg became imperative.

EC Bond Issue in Mideast

The Commission is raising \$30 million on behalf of the European Coal and Steel Community via a bond issue underwritten by a group of Mideastern Banks.

The consortium is headed by the Kuwait Investment Co. Other members are Hill Samuel; Abu Dhabi Investment Co.; Arab Finance Corp.; the Arab Investment Co.; Société Générale de Banque, and the Swiss Bank Corp. The money will be raised by the issue of seven-year notes at 99 per cent of par and carrying a coupon of 7% per cent.



Henri Simonet, former EC Commission Vice President, is now Belgian Foreign Affairs Minister. As such, he chairs the EC Council of Foreign Ministers through the end of the year.

Budget Increases Sought

At a time of public expenditure curbs in most member states, the EC Commission also tries to keep its budgetary outlay to a minimum. But some expenditure—on agricultural guarantees, for example, which make up three-fifths of the EC budget—is unavoidable, as it reflects Council decisions already taken. Other increases reflect a belief that some things can be done better and more cheaply at the Community level, hence the emphasis on a bigger Regional Fund, Social Fund, and greater energy independence.

The net result of the Commission's proposals for next year is an increase of 22 per cent, when expressed in European units of account—the "basket" unit more nearly corresponding to real values than the current budgetary unit. European units of account (EUA) will be used from January 1 next year when the

own resources system comes into effect.

The total budget would be EUA 12,512 million, which includes an increase in the Regional Fund's appropriation from EUA 400 million last year to EUA 750 million next. A massive increase from EUA 141 million to EUA 520 million is also being sought for the Social Fund's payment credits.

Almost half the budget will be financed by revenues from customs duties and agricultural levies, and the rest, for the first time, from value-added tax (VAT), rather than member states' contributions based on gross national product. Of the VAT assessment base, 0.77 per cent will accrue to the Community.

COMPETITION

UK Joint Venture is OK

The EC Commission has given the green light to a joint venture known as Vacuum Interrupters Ltd. The venture provides for joint development, design, manufacture, and sales of vacuum interrupters by Associated Electrical Industries and Reyrolle Parsons, both of the United Kingdom. The agreement dates back to 1970 when it was submitted for clearance under EC rules prohibiting concerted practices, since these two firms are the main manufacturers of UK switchgear.

The Commission has stated, however, that if changes are to be made in the nature of the venture or in the capital structure, the Commission must be informed. Vacuum interrupters are a promising new form of circuit breaker involving high development costs. The Commission decided this cooperation was in the interests of providing a reasonably priced product for the consumer and could strengthen the competitive position of the EC switchgear industry on international markets.

Competition Needs Reported

The need for preservation of a single, open Community market by means of a firm and consistent competition policy was confirmed by EC Competition Commission Raymond Vouel in the sixth press report on EC competition policy. He rejected any idea of taking "the easy way out" of solving economic and social problems by stepping up national protectionism.

Vouel, who took over the job of competition commissioner in late 1976, set out some of the principles underlying his approach to competition policy. They include greater attention to the needs of small and medium-sized businesses by review of the problems of subcontracting and consideration of a block-exemption regulation for certain patent licensing agreements.

Another of Vouel's principles is the need for the Commission to decide

what to do about manufacturers who distribute their goods under guarantee throughout the Common Market. What Vouel would like to see is a sort of "European Guarantee" applying to all guaranteed products. He recognizes the need for clarification on how prohibition of restrictive practices applies to joint ventures, and the necessity for adoption of the Commission's proposed merger control regulation. Vouel also advocates close scrutiny of state aids and export subsidies.

Fertilizer Practice Ended

The EC Commission has terminated a reciprocal fertilizer supply arrangement between a Belgian and two German firms on the grounds that it infringed EC rules on free competition. The companies involved were Fison-UCB of Belgium and Ruhrstickstoff and Hoechst of Germany. All are major manufacturers of nitrogen fertilizers, particularly calcium ammonium nitrate.

The three companies were rebating their sales of nitrogen fertilizers in such a way that the net price was the same throughout the Belgo-German area, even though German list prices were around 12-13 per cent higher. The Commission refuted the argument that this was the only way the companies could get a return on their low profit margins on export sales and concluded the system restricted trade between Belgium and Germany.

Copyright Restricts Export

The Commission has intervened to stop British publisher Jonathan Cape from restricting exports from one Common Market country to another by means of copyright.

The Commission acted on a complaint from Ireland that the Penguin paperback edition of Hemingway's *The Old Man and the Sea* was not available there or in the United Kingdom, but only in other EC countries. The Commission pointed out that EC rules on equal conditions of competition throughout the Community require that there should be no clauses in a copyright license that either expressly or implicitly restrict trade.

In this case Cape had sublicensed Penguin Books to publish a paperback in an area that included all countries except Britain and Ireland. Following the Commission's intervention, new arrangements have been concluded with another publisher for an EC-wide paperback edition of this and other Hemingway works.

Safety Glass Venture Ended

The joint safety glass interests in France and Germany of BSN Gervais Danone and St. Gobain/Pont à Mousson have been separated following intervention by the EC Commission. The dissociation began in 1974 in line with a progressive plan approved by the Commis-

sion for restoring normal competitive conditions to the safety glass sector within the Community. The program for "divorce" provided for a specific timetable up to the end of 1976.

The result is that the joint subsidiary Securiglace has folded, and its commercial and technical activities have been divided between two departments in each of the parent companies. The joint subsidiary Triplex, which like Securiglace was set up in 1958, has been taken over by St. Gobain. Its name has been changed to St. Gobain Feuilleté.

Finally, the distribution agreement between BSN Gervais Danone's German subsidiary, Flachglas AG, and St. Gobain's German subsidiary, Sekurit Glas Union, has been dissolved. Flachglas sells its products directly now.

HARMONIZATION

VAT Base Directive Adopted

The sixth directive on a harmonized assessment base for value-added tax (VAT) throughout the Community, adopted May 17, will not only pave the way for introduction of the "own resources system" for Community budget financing but is also a major step on the road to fiscal harmonization.

The new directive will ensure greater fiscal neutrality in international trade for services and goods by eliminating cases of dual taxation and nontaxation. It should improve the competitive position of companies inside the Community in their trade with nonmember countries, particularly in the service sector.

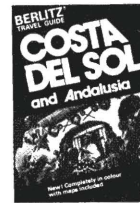
The directive lays down common rules on tax liability, definition of taxable transactions, the taxable amount, and rights to deductions. What it does not do is affect in any way the rate at which the VAT is levied. This is still the bailiwick of member states, although the Commission retains harmonization of rates as one of its long-term goals in the context of economic and monetary union.

Price Label Change Proposed

The EC Commission has proposed that all foodstuffs sold in the Community should clearly show both the selling and unit prices.

Unit pricing, which gives the equivalent price per given weight or volume as well as the price for the item being sold, enables consumers to make comparisons between the prices of goods sold in different size containers. This should increase market transparency, intensify competition, and be counterinflationary.

Not only would food on sale have to show the unit price, but advertisements, offers for sale, and catalogues would also have to comply with the proposed ruling.



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Recent Books

European Community periodically lists books dealing with Community and Atlantic topics. Prices are also given when known. This presentation does not indicate approval or recommendation of these publications, which can be purchased or ordered from most booksellers.

Overcoming the Language Barrier: Third European Congress on Information Systems and Networks, Volume 1. Verlag Documentation, München, 1977. 675 pages.

A collection of papers presented to the congress in Luxembourg, May 3-6, 1977, that discusses teaching and use of languages in the Community, multilingual terminology, human and machine aided translation, and automatic translation.

The Nordic Council and Scandinavian Integration. By Erik Solem. Praeger Publishers, New York, 1977. 197 pages with index. \$18.50.

A study of the ways in which Nordic cooperation differs from other kinds of regional integration, with an examination of the forces stimulating or hampering Nordic efforts and of the origin, development, and operational features of the Nordic Council.

The Law of the European Community: Commentary on the EEC Treaty, Volume 1. By Hans Smit and Peter Herzog. Matthew Bender and Co., New York, 1976. 591 pages. \$70.00 per volume (five volumes).

A study of the legal aspects of the Community with each article of the Treaty of Rome reprinted in its entirety and followed by analysis of meaning, legal effect, interpretation, and implementation. Topics include customs tariffs, foreign trade policy, agriculture, free movement of workers and business enterprises, economic and monetary policy, and relations with the United States.

Europa Administration: Directory of Administration and Justice for the European Communities. By Walter D. Zuic. Verlag Dokumentation, München, 1976. 1,162 pages. \$72.00.

Detailed coverage in more than 16,000 entries of member states and their interaction in the fields of public administration, trade and industry, health, social service, labor administration, administration of justice, and tourism.

Financing Foreign Trade in Eastern Europe: Problems of Bilateralism and Currency Inconvertibility. By John S. Garland. Praeger Publishers, Inc., New York, 1977. 168 pages with index. \$16.50.

A detailed account of the effects of bilateralism and currency inconvertibility on the financing of foreign trade in Eastern Europe, which includes a discussion of patterns in East European foreign trade, integration and

interdependence with the bloc, economic reform within Comecon, Western credit, and problems in East-West trade.

EC-Third World: Benefits of the Generalized System of Preferences of the European Community to Developing Countries. Edited by Theo Mutter. Friedrich-Ebert-Stiftung-Forschungsinstitut, Bonn, 1976. 49 pages.

An analysis of the EC generalized system of preferences for trade between the developing countries and the Community; classification of goods and product areas are discussed.

Multinational Corporations and National Elites: A Study in Tensions. By Joseph LaPalombara and Stephen Blank. The Conference Board, Inc., 1976. 124 pages. \$15.00 (for non-associates).

An examination of US multinational corporate behavior in Canada and Italy, including the attitudes, expectations, and perceptions of corporate behavior of public and private sector leaders with substantial influence on both public opinion and policy.

A History of Russia. By Basil Dmytryshyn. Prentice-Hall, Inc., Englewood Cliffs, NJ, 1977. 645 pages with index. \$14.95.

A summary of the development of Russia from earliest times to the present, this book is divided into five parts: Kievan Rus, Divided Rus, Muscovy, Imperial Russia, and Soviet Russia—a succinct analysis of the country's political, economic, and social institutions and culture.

Crop Production in Europe. By Maurice Eddowes. Oxford University Press, London, 1976. 318 pages with index. \$17.75.

An examination of the impact of scientific and technological developments in agriculture on crop production, with emphasis on production and utilization of temperate crops under West European conditions—also with a discussion of the EC common agricultural policy and its effect on European crop production.

European Marketing Data and Statistics, 1976/77. Euromonitor Publications Limited, London. Available through Nichols Publishing Co., New York. 290 pages with tables and index. \$65.00 (hardcover).

A major source of reference for

basic marketing statistics on all European countries, including Eastern Europe; plus detailed comparative tables on all aspects of Europe's social and economic structures.

The Control of Oil. By John M. Blair. Pantheon Books, New York, 1976. 400 pages with index. \$15.00.

Investigation of how oil price is determined via the control of supply and markets—tracing the history of international cartels, describing how international supply has been limited to predetermined growth rate, analyzing the industry's principal tax preferences, and presenting a plan for dealing with the energy crisis.

The Nuclear Power Controversy. Edited by Arthur W. Murphy. The American Assembly, Columbia University, New York, 1976. 184 pages with index. \$3.95.

A compilation of essays written by seven authorities in the fields of atomic energy, economics, science, law, and technology—offering information on key aspects of the current nuclear energy debate.

Yearbook of Labour Statistics, 1976. International Labor Office, Geneva, 1976. 950 pages with tables and index. Trilingual (E/F/S). \$37.95.

Data on labor questions for the last 10 years, including some for the first half of 1976.

East European Cooperation: The Role of Money and Finance. By Jozef M. van Brabant. Praeger Publishers, New York. 393 pages with tables and figures. \$20.00.

Analysis of the principal monetary and financial mechanisms of socialist economic integration; examination of the scope of East-West borrowing; and evaluation of the shortcomings of methods used in financing international trade.

Social Security for Migrant Workers. International Labor Office, Geneva, 1977. 150 pages. \$8.95.

Analysis of the legal and administrative problems of social security for migrant workers and their families, with possible solutions to these problems. Detailed bibliography included among several appendices to the study.

The Cost of Social Security: Eighth International Inquiry, 1967-1971. International Labor Office, Geneva, 1976. 189 pages. Trilingual (E/F/S). \$23.95.

A consolidated statement on social security financial operations in various countries, with an international comparison of the data—10 comparative tables, national accounts data, population data, consumer price indices, and a supplement on the cost of non-statutory schemes.

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Publications listed may be obtained from the European Community Information Service, Suite 707, 2100 M Street, NW, Washington, DC 20037. Persons in the New York area can order copies from the European Community Information Service, 245 East 47th Street, New York, New York 10017.

SIXTH REPORT ON COMPETITION POLICY. Commission, Brussels, April 1977, 196 pages . . . \$5.80
Reviews developments in the Community's antitrust, state aids, and state monopolies policies during 1976. Includes a chapter on mergers and the development of concentration in industry. Lists individual rulings of the Commission and the Court of Justice in 1976.

REPORT ON THE DEVELOPMENT OF THE SOCIAL SITUATION IN THE COMMUNITIES IN 1976. Commission, Brussels, April 1977, 236 pages . . . \$5.80
Outlines the activities of the Commission and member states in the social sector and discusses the situation in employment, vocational training, industrial relations, wages, working conditions, housing, social services, social security, and industrial safety and health. Contains a statistical annex.

COMMUNITY LAW. Commission, Brussels, 1977, 33 pages . . . \$1.60
Extract from the "Tenth General Report on the Activities of the Communities in 1976." Reviews the activity of the Court of Justice and its principal rulings in 1976, with tables showing cases analyzed by subject matter and by treaty. Includes a brief analysis of the development of the Community legal order.

THE LAW OF PROPERTY IN THE EUROPEAN COMMUNITY. Competition-Approximation of Legislation Series No. 27, Commission, Brussels, 1976, 305 pages . . . \$8.80
Study of real property rights in the EC member states. Part one deals with security in movables in the original six members. Part two covers immovable, movable and intellectual property rights in the United Kingdom and Ireland. Part three examines property law in Denmark with some reference to Norwegian law.

THE LAW OF SURETYSHIP AND INDEMNITY IN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND IRELAND. Competition-Approximation of Legislation Series No. 28, Commission, Brussels, 1976, 64 pages . . . \$3.50
Study on suretyship and other personal guarantees in UK and Irish law. Includes a description of the types of suretyship covered and sets out the main similarities and differences among the various types in these countries. Supplements the study pub-

lished in 1971 (Competition Series No. 14) dealing with suretyship in the law of the original six member states, which is available in English for \$4.00.

SPATIAL PRICING AND COMPETITION. Competition-Approximation of Legislation Series No. 29, Commission, Brussels, 1976, 61 pages . . . \$2.05
Study by Louis Philips on the compatibility of certain delivered price systems with a competitive market in the Community. In this theoretical study of certain entrenched commercial practices, the author demonstrates that, in terms of economic efficiency, only sales f.o.b. are compatible with optional spatial allocation of resources.

THE COMMON AGRICULTURAL POLICY IN THE INTERNATIONAL CONTEXT (POSSIBLE CONSEQUENCES AND IMPROVEMENTS): STATISTICAL ADDENDUM TO THE ECONOMIC AND SOCIAL COMMITTEE OPINION. Official Journal of the European Communities, Vol. 20, C 78, March 30, 1977, 21 pages. \$6.00
Statistical tables on world agricultural production and trade, world cereals production and trade, EC agricultural self-sufficiency, EC agricultural and non-agricultural trade with the world, the United States and ACP countries, Community food aid, and Stabex transfers.

PROCEEDINGS OF THE FIRST ASTM-EURATOM SYMPOSIUM ON REACTOR DOSIMETRY. EUR 5667 elf, Parts I and II, Commission, Luxembourg, 1977, 847 + 683 pages, Part I . . . \$24.00
Part II . . . \$26.70
Papers and proceedings of the symposium held at Petten (Holland), September 22-26, 1975.

POLITICS AND TRADE: THE UNITED STATES AND THE EUROPEAN COMMUNITY. Information Service, Washington, April 20, 1977, 18 pages . . . free
Address by the Rt. Hon. Roy Jenkins, President of the Commission of the European Communities, to the Council on Foreign Relations, Chicago, April 20, 1977.

THE ACP-EEC CONVENTION OF LOME: ONE YEAR AFTER ITS ENTRY INTO FORCE. Information Memo P-29/77, Commission, Brussels, March 1977, 18 pages . . . free
Summary of the functioning of the

Lomé agreement during its first year. Covers trade cooperation, a special section on the sugar protocol, stabilization of export earnings, financial and technical aid, and industrial cooperation. Includes data on EEC-Lomé trade, tables on financial transfers under Stabex and the EDF, and a chronology.

LIST OF EEC AGREEMENTS WITH OUTSIDE COUNTRIES. Information No. 139/77, Commission, Brussels, 1977, 9 pages . . . free
Tables outlining the particulars of EEC agreements with EFTA, state-trading countries, the Mediterranean countries, the Lomé countries, Asian countries, and Latin American countries and Canada.

NEW ZEALAND AND THE EUROPEAN COMMUNITY: TRADE AND ECONOMIC NOTES. Information No. 148/77, Commission, Brussels, 1977, 5 pages . . . free
Note giving basic economic, trade and payments data for New Zealand and EC-New Zealand trade. Discusses Community relations with New Zealand under Protocol 18 of the Accession Treaty and procedures for bilateral consultation.

JOINT DECLARATION ON FUNDAMENTAL RIGHTS BY THE ASSEMBLY, THE COUNCIL AND THE COMMISSION. Information Memo P-30/1977, Commission, Brussels, April 1977, 3 pages . . . free
Background information on measures leading up to the signature of a declaration on fundamental rights by the three Community institutions. The text of the declaration is not included.

IMPLEMENTATION OF THE GUIDELINES FOR A COMMUNITY STEEL POLICY. Information Memo P-33/1977, Commission, Brussels, April 1977, 3 pages . . . free
Outline of the documents on steel policy adopted by the Commission on March 16. Includes revision of the steel objectives, automatic licensing to monitor steel imports, minimum prices for concrete reinforcing bars, reference prices for rolled products, financing of reconversion, national aids, criteria for interest rebates, anti-dumping measures, and protection against imports.

HANDBOOK OF MATERIALS TESTING REACTORS AND ANCILLARY HOT LABORATORIES IN THE EUROPEAN COMMUNITY. EUR 5369 e, Commission, Luxembourg, 1977, 234 pages \$17.20
Data on materials testing reactors in operation in the Community. Covers only thermal reactors having a power output of more than 5 MW(th). Detailed technical information on experimental irradiation facilities of the reactors, their specialized irradiation devices (loops and instrumented capsules), and the associated hot cell facilities for post-irradiation examination of samples.

AUTHORIZATION PROCEDURE FOR CONTAINERS AND MODALITIES OF TRANSPORT OF RADIOACTIVE SUBSTANCES WITHIN THE EC MEMBER STATES. EUR 5663 e, Commission, Luxembourg, 1977, 51 pages . . \$6.70
Report prepared by Sandro Amaducci of J. M. Didier & Associates, on member state laws as of the summer of 1975. A monograph on each country examines the legislative sources and the authorization procedure. The latter subject is divided into sections covering transport subject to or exempt from authorization, the description of the procedure and the types of authorization which may be granted.

SCIENCE OF SCIENCE. Basic reflections on research management No. 3, EUR 5628 e, Commission, Luxembourg, 1976, 22 pages . . . \$2.40
Lectures by Hakan Tornebohm given at the Joint Research Centre, Ispra, between March 31, and April 3, 1969 on "Science of Science, Knowledge Production, and Research Evaluation."

STRATEGY FOR THE 1978 BUDGET OF THE EUROPEAN COMMUNITIES. Information Memo P-22/1977, Commission, Brussels, March 1977, 3 pages . . . free
Summary of the Commission's communication on institutional changes and policy objectives for preparation of the 1978 budget. Institutional changes include introduction of VAT resources, changing the budgetary unit of account, and the Court of Auditors. Strategy includes containing agricultural expenditure, acting on employment and economic problems, promoting greater energy independence, and increasing aid to developing countries.

A NEW DIRECTION FOR THE CAP. Agricultural Background Note No. 3/1977. Information Service, Washington, May 5, 1977, 12 pages . . . free
Decision on agricultural prices for the 1977-78 marketing year.

RESULTS OF THE FIFTEENTH ECONOMIC SURVEY AMONG EUROPEAN CONSUMERS. Information Memo No. P-28/1977, Commission, Brussels, March 1977, 13 pages . . . free
Results of the consumer survey covering attitudes on the general economic situation, unemployment, prices, personal financial situation, major household purchases, and savings.

JAPAN AND THE EUROPEAN COMMUNITY. Information No. 146/77, Commission, Brussels, 1977, 9 pages . . . free
Background on the Community's trade relations with Japan including the bilateral consultation process, trade data, and discussion of particular product sector difficulties.

ACP-EEC NEGOTIATIONS ON THE GUARANTEED SUGAR PRICE FOR 1977/78. *Information Memo No. P-39/1977*, Commission, Brussels, April 1977, 10 pages . . . free
Summary of the procedures for sugar price negotiations under Protocol No. 3 of the Lomé Convention. Statistical annexes on production, trade, and consumption of sugar in the Community.

PUBLIC SUPPLY CONTRACTS. *Official Journal of the European Communities*, Vol. 20, L 13, January 15, 1977, 15 pages . . . \$.60
Texts of the Council Directive of December 21, 1976 coordinating procedures for the award of public supply contracts and Council Decision of December 21, 1976 setting up an Advisory Committee for Public Contracts.

EQUALITY OF RIGHTS FOR COMMERCIAL AGENTS. *Bulletin of the European Communities, Supplement No. 1/77*, Commission, Brussels, 26 pages . . . \$1.40
Proposal for a Council directive to coordinate the member states' laws on self-employed commercial agents, whose activity consists of negotiating commercial transactions on behalf and for the the account of another person with whom they have a permanent contractual relationship.

STATE OF THE ENVIRONMENT: FIRST REPORT Commission, Brussels, 1977, 261 pages . . . \$12.50
Report concentrates on the implementation of the EEC Action Program since 1973. Gives a brief summary of the program and describes actions in each of the main areas: pollution control, improving the environment, and international actions. Includes a bibliography of Community publications on the environment.

EVALUATION OF THE HYGIENIC PROBLEMS RELATED TO THE CHILLING OF POULTRY CARCASSES. *Information on agriculture No. 22*, Commission, Brussels, October 1976, 108 pages . . . \$4.30
Analysis of a number of experiments in poultry slaughterplants in Denmark, the United Kingdom, the Netherlands, France, and Italy to assess, from the hygienic standpoint, the immersion-chilling system compared to other chilling systems.

PROGRAMME RADIATION PROTECTION: ANNUAL REPORT 1976. EUR 5711 dk-d-e-f-i-n, Commission, Luxembourg, 623 pages . . . \$34.40
Summaries of the results of the individual research projects carried out in 1976 under the multiannual program on radiation protection (1976-80) on problems of dosimetry, assessment of radiation hazard and radioactive contamination of the environment, genetic repercussions, and the effects of ionizing radiation in the short and long term.

New Statistical Publications

FOREIGN TRADE OF THE PEOPLE'S REPUBLIC OF CHINA 1969-1974. *Trade Flows No. 1*, 1976, Statistical Office, Luxembourg, 1976, 98 pages . . . \$9.50
Foreign trade statistics for the People's Republic of China calculated from statistics of trading partners. Includes data on commodity trade with the EC member states.

REGIONAL STATISTICS: THE COMMUNITY'S FINANCIAL PARTICIPATION IN INVESTMENTS 1972-1974. Statistical Office, Luxembourg, 1976, 137 pages . . . \$7.20
Data on the Community's financial contributions under the European Coal and Steel Community, the European Agricultural Guidance and Guarantee Fund, and the European Investment Bank for investment projects. Data is broken down by type of project and by region for each member state for the years 1972-74.

INVESTMENTS IN FIXED ASSETS 1972-1974. Statistical Office, Luxembourg, 1976, 120 pages . . . \$5.40
Data on fixed capital investment in machinery, plant, vehicles, and buildings by industry sector in the member states for the period 1972-74.

THE MOTOR VEHICLE IN THE MEMBER STATES OF THE EUROPEAN COMMUNITIES AND IN THE WORLD. *Quarterly Bulletin of Industrial Production No. 3176*, Statistical Office, Luxembourg, 1976, 126 pages . . . \$5.75
Special article on trends, during the period 1963-75, in production, assembly, external trade, and the number of vehicles in use. Covers passenger, dual-purpose motor vehicles and commercial vehicles.

BALANCES OF PAYMENTS-GEOGRAPHICAL BREAKDOWN 1976. Statistical Office, Luxembourg, 1976, 147 pages . . . \$13.40
Regional breakdown of balance of payments flows for each member state, the United States, and Japan for 1971-1975.

AGRICULTURAL ACCOUNTS 1976. Statistical Office, Luxembourg, 1976, 110 pages . . . \$13.50
Aggregated data on final production, intermediate consumption, gross value added at market prices, and gross fixed capital formation in agriculture and forestry for 1966-1974 for the Community and the member states. Detailed data on production, origin of income and fixed capital formation by product and country for 1970-1975. Includes unit values for selected products. Analytical text in French and German.

European Events

To Our Readers: This is a new feature. It is not comprehensive. Please let us know what events you would like to see listed in future calendars.

JULY 1977

1-31/8 International Folklore Festival, Luxembourg

1-31 Royal Academy Summer Exhibition, Piccadilly, London

1-10 International Festival of Music, Cheltenham, Gloucestershire, United Kingdom

2 Lawn Tennis Centenary Championships, Wimbledon, United Kingdom

2-15 "Skutsjesilen" races with old cargo sailing craft and market boats, Frisian Lakes, the Netherlands

2-27/8 Windmill Days, Kinderdijk, the Netherlands

3 Grand Festival of the Arquebusiers of Limburg, Niel-Bij-As, Belgium

4-7 Royal Agricultural Show, Kenilworth, Warwickshire, United Kingdom

4-7 Association for Cultural Exchange Conference, Dublin

4-16 Silver Jubilee Pageant, Surrey, United Kingdom

7-10 EUCHEM (Chemistry) Conference, Galway, Ireland

7-15/8 8th International Photography Exhibition, Arles, France

8-10 International Meeting of European Builders, Brussels

14-16 Antiques Fair, Lincoln, United Kingdom

17-27 European Arts Fair, Brussels

18-23 Royal International Horse Show, Wembley, London

20-21 Society for Microbiology, Dublin

24-31 International Cycle Show, Harrogate, Yorks, United Kingdom

26-31 European Latvian Song Festival, London

27 Country weddings in old Frisian costumes, Joure, the Netherlands

29 Silver Jubilee Review of the Royal Air Force, South Yorks, United Kingdom

AUGUST

1-31 International Rose Exhibition, The Hague

6-7 Wine Festival, Wormeldange, Luxembourg

7 Grand Procession—homage to Flemish pictorial art, Koksyde, Belgium

10-19 15th International Congress for History of Science, Edinburgh, United Kingdom

13 Rose Festival, Mondorf-les-Bains, Belgium

13-14 12th Annual Jazz Festival, Bilzen, Belgium

14 Grand Prix de Luxembourg, Ettelbruck, Luxembourg

15-18 International Congress on Logopedics and Phoniatrics, Copenhagen

20-27/9 Festival of Flanders, International Music Festival, Ghent, Belgium

21 International Film Festival, Edinburgh, United Kingdom

21-23 28th International Men's Fashion Week, Cologne, Germany

22-28 8th International Symposium on Comparative Research on Leukemia and Related Diseases, Amsterdam

24-26 Nordic Building Conference Day, Copenhagen

25-31 World Methodist Conference, Dublin

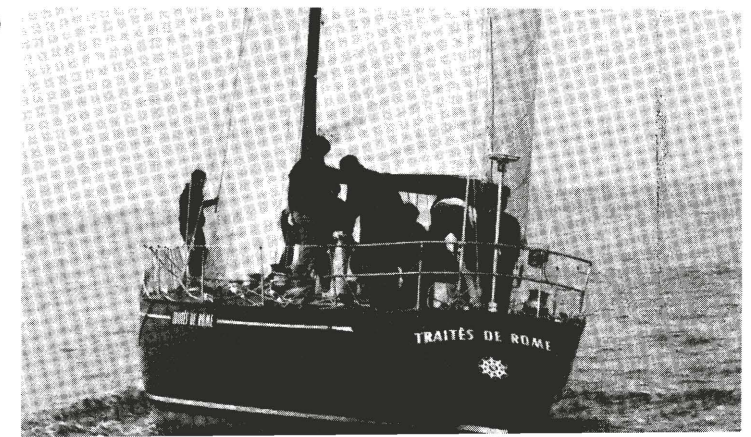
26-2/9 Therapy Exhibition, Karlsruhe, Germany

26-4/9 4th International Radio and Television Exhibition, Berlin

28 Nordic Lawyers' Congress, Copenhagen

28-31 International Fair, Frankfurt, Germany

28-1/9 Exhibition and Congress on Liquid Natural Gas, Dusseldorf, Germany

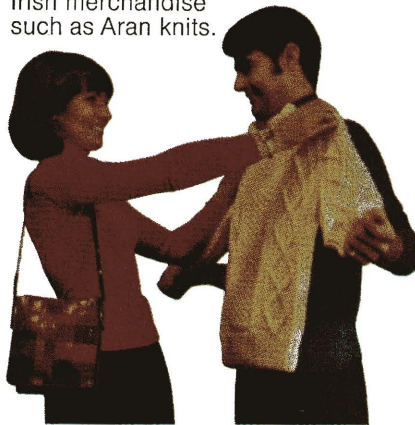


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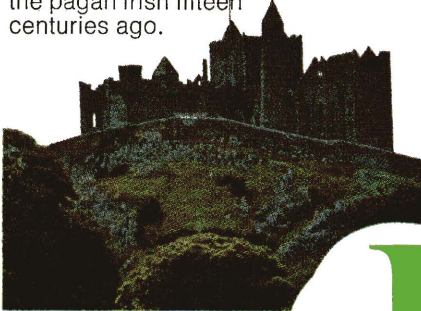
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